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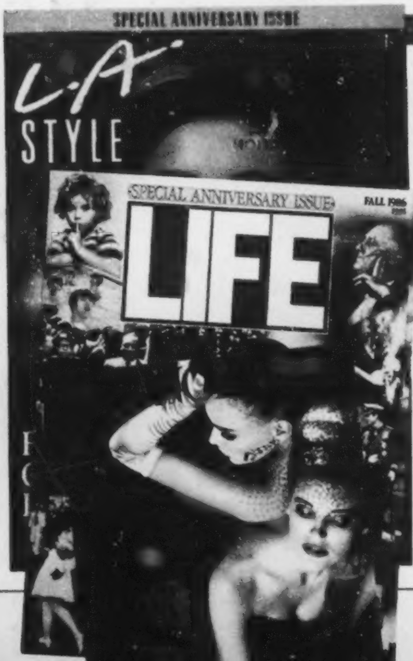
Folio:

NOVEMBER 1987 THE MAGAZINE FOR MAGAZINE MANAGEMENT $6.00

PHOTOGRAPH BY ROBERT TOBEY

Editing on the edge of madness

What does it take to produce a magazine with real vitality and verve? Daniel Okrent, editor of *New England Monthly* and winner of two consecutive National Magazine Awards, offers 10 rules for editorial superiority. They are refreshing, demanding, provocative—sometimes outrageous. Okrent succeeds with this approach, but could you? **164**



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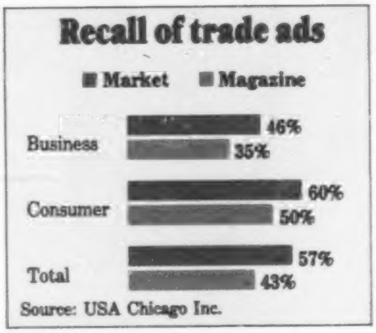

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Vol. 16 No. 11

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UPDATE

Wholesalers report positive reaction to DPP

Still in its infancy, the story of magazine profitability is off to a promising start

PHOTOGRAPH BY DANIEL PETERSEN

Improving display space is one goal of MPA's "road show" on magazine profitability. This case in a Watertown, Connecticut, convenience store was filmed by MPA as an example of good magazine display.

So far, so good, is retailers' reaction to the news about magazine profitability, now being touted to executives at grocery and convenience store chains by key players in the magazine industry.

Magazines are the fourth most profitable item sold in convenience stores, and third most profitable in supermarkets, according to a recent Direct Product Profitability (DPP) study, which considered space allocation, labor costs and other factors in its findings. The study was researched by Touche Ross & Company for the Magazine Publishers Association (MPA).

For six months, "education teams" have taken the study on the road to food and convenience stores. Organized by MPA and the Council for Periodical Distributors Association (CPDA), each team includes an MPA staffer, a Touche Ross representative, a magazine publisher and a magazine wholesaler and distributor.

One chain that paid attention was Detroit-based Farmer Jack Supermarkets. The wholesaler that services 79 of its stores was given additional space in six stores for a three-month test, reports Dana Ludington, sales and marketing director for Ludington News Co., Inc., Detroit.

Even though "the buyer for Farmer Jack's is tough," Ludington says, he reacted favorably to the presentation and asked the team to stay an extra 45 minutes. In the end, the magazine display was increased from 8 feet to 18 feet.

"We are all very excited about DPP," he adds. "We finally have a tool that proves what we've been trying to say for years."

Another wholesaler reporting promising results is Portland News Co., Portland, Maine. One of its clients,

(CONTINUED ON PAGE 86)

1987 circulation: Is the slide over?

Even hard-pressed single-copy sales are enjoying a 1987 turnaround

Consumer magazine circulation is showing signs of health, according to a FOLIO: analysis of the semiannual Fas-Fax report, produced by the Audit Bureau of Circulations (ABC). More than 60 percent of 425 magazines marked overall circulation gains in the first half of the year, compared to 50.9 percent reporting gains one year ago. And the long-suffering single-copy category showed signs of recovery: 53.8 percent of 385 titles reported single-copy gains in units sold—a considerable increase over the 46.2 percent that noted growth in 1986.

These signs were shored up by reassuring progress in unit sales. The total number of copies sold by the 425

Largest percentage gains, overall circulation, first half 1987

Magazine*	Total paid circulation	Percent gain**
1. *Good Food*	946,031	168.6
2. *American Demographics*	23,844	58.8
3. *TV Word Games*	60,083	56.0
4. *WWF Magazine*	212,890	54.6
5. *Elle*	719,238	52.4
6. *Women's Sports and Fitness*	300,708	51.7
7. *Alaska*	212,888	49.7
8. *Discover*	1,285,368	46.4
9. *Detroit Monthly*	57,347	42.3
10. *Connecticut Magazine*	93,087	36.4

Source: FOLIO: analysis of ABC Fas-Fax report, June 30, 1987
*Only magazines with publisher's statements in both time periods were considered
**Compared with the same six-month period in 1986

On a hot streak: *Three widely disparate magazines*—Elle, WWF Magazine *(published by the World Wrestling Federation) and* American Demographics—*were among the top 10 magazines in percentage circulation gain in the first half of 1987, as well as in the second half of 1986.*

Consumer magazines ranked by unit increase in single-copy sales, first half 1987

	Single-copy circulation		
Magazine*	First half 1987	Unit increase**	Percent increase
1. *Soap Opera Digest*	645,980	178,847	38.3
2. *Elle*	434,154	147,405	51.4
3. *Playboy*	1,339,796	85,896	6.9
4. *McCall's*	677,891	79,297	13.2
5. *Sun*	435,002	75,001	20.8
6. *Self*	648,335	66,185	11.4
7. *Prevention*	204,091	59,915	41.6
8. *Woman's World*	1,397,107	59,766	4.5
9. *New Woman*	640,117	59,751	10.3
10. *WWF Magazine*	161,407	58,033	56.1

Source: FOLIO: analysis of ABC Fas-Fax report, June 30, 1987
*Only magazines with publisher's statements in both time periods were considered
**Compared with the same six-month period in 1986

The big surprise *in the single-copy arena for the first half of 1987 was* Playboy, *which orchestrated a major turnaround from the second half of 1986. Many retailers who had stopped selling the magazine last year in the wake of the Meese Commission report began to sell it again this year.*

magazines increased to 325,112,000 during the first half of this year—a 4.6 percent gain over the same period last year. Newsstand sales also racked up a 3.3 percent gain, to 88,632,000, although nine of the top 10 newsstand titles were down in sales. Subscription sales were up 5.1 percent, to 236,480,000.

Although subscription sales continue to outpace newsstand sales, the single-copy gains are particularly noteworthy. Even though many major magazines are down on the newsstand, more magazines, says circulation consultant E. Daniel Capell, are reporting single-copy gains than at any time during the past five years.

What do the slight overall gains mean for the industry? Circulation consultant Ron Moyer notes that, although many clients have regained circulation from last year's losses, "people are running hard to stay in place." But consultant David Foster believes that many publishers are simply playing it smarter, focusing on the value of their readers rather than simply increasing the total readership.

TV Guide takes top spot

TV Guide replaced *Reader's Digest* as the top-selling magazine in the United States, reporting a weekly average circulation of 17,281,955; *Reader's Digest*, which began cutting its rate base last year, missed ABC's reporting deadline, but says that its circulation was 16,849,550, down 2.6 percent from 1986. The other magazines leading in overall circulation are *Modern Maturity* (15,986,938), *National Geographic* (10,461,337), *Better Homes and Gardens* (8,093,630), *Family Circle* (5,994,327), *McCall's* (5,349,181), *Woman's Day* (5,263,894), *Good Housekeeping* (5,175,638) and *Ladies' Home Journal* (5,043,143).

Good Food, which absorbed the circulation of *Great Foods* magazine, enjoyed the largest percentage increase—rising 168 percent from 352,251 to 946,031. (This was also the third highest overall unit increase.) *Elle*, the French import published by Murdoch Magazines, boosted circulation by 247,406 (52.4 percent) to 719,238. The biggest gainer in unit circulation, *Modern Maturity* (published by the American Association of Retired Persons), increased by nearly 2.4 million to 15,986,938. Large increases were also posted by *Discover* (up 407,562) and *TV Guide* (up 407,478). *Discover* was aided significantly by the purchase of the subscription lists of *Science Digest* and *Science '86*.

On the single-copy side, the largest gains were registered by *Soap Opera Digest* (up 178,847), *Elle* (up 147,405), *Playboy* (up 85,896) and *McCall's* (up 79,297).

Playboy's success is particularly notable, considering that the title had declined by over 700,000 units in newsstand sales during the second half of 1986. The magazine's executives say that retailers who had spurned the magazine are beginning to sell the title again. Other adult sophisticate titles were not so fortunate on the newsstand: *Cheri* dropped 15 percent, *High Society* fell by 4.0 percent and *Gallery* was down 7.5 percent.

Some successful categories

The Seven Sisters magazines, which make up many of the top-circulation titles, showed mixed results, as three titles gained circulation and four lost. *McCall's* had the largest increase, a modest 1.4 percent, while *Family Circle* suffered the biggest drop—8.5 percent.

General business magazines did well, as all the major titles enjoyed circulation boosts, and many marked single-copy gains. *Financial World*, up 30 percent, had the biggest jump in total circulation, while *Business Week* boosted its newsstand sales by an impressive 49.5 percent.

Many weeklies and biweeklies registered overall circulation gains, including *Newsweek, U.S. News & World Report, The New Yorker, Rolling Stone, People, TV Guide* and *Us*. *Time*, however, dropped 2.8 percent. *The New Yorker*, while up 5.7 percent overall, declined 12.7 percent in newsstand sales during a time of upheaval in its editorial staff.

Shelter magazines, by and large, prospered during the first half of 1987. *Architectural Digest, Country Home, Country Living, House Beautiful, Southern Living* and *Home* all raised overall circulation; *Home* led the pack with a 12.2 percent increase.

In men's magazines, *Esquire, Gentlemen's Quarterly* and *M* went up in overall circulation, but the two major sophisticate titles, *Playboy* (despite its single-copy success) and *Penthouse*, continued their decline. The former slid 5.9 percent, and the latter dropped 16.7 percent.

Penthouse also led declines in single-copy sales among the 10 best-selling newsstand magazines, diving 17.8 percent to two million copies. *Family Circle* (single-copy circulation 5,261,000) showed the second largest decline, 13.3 percent, and *Woman's Day* (5,181,000) dipped 7.0 percent. The single gainer in this category is *Globe*, which increased 2.2 percent to 1,595,000.□

Modern Maturity
AARP
TV
Can TV Cause Divorce?
DISCOVER
CAN THEY BEAT CANCER AND AIDS?

Consumer magazines ranked by unit increase in subscription sales, first half 1987

Magazine*	Subscription circulation First half 1987	Subscription circulation Unit increase**	Percent increase
1. *Modern Maturity*	15,986,938	2,389,608	17.6
2. *NRTA-AARP News Bulletin*	15,523,028	2,353,141	17.9
3. *Good Food*	554,399	552,767	3,870.5
4. *TV Guide*	8,887,994	447,093	5.3
5. *Discover*	1,107,779	379,471	52.1
6. *Home & Away*	1,694,125	351,940	26.2
7. *Star*	477,834	269,530	129.4
8. *Sports Illustrated*	2,988,364	249,940	9.1
9. *Family Circle*	732,470	246,208	50.6
10. *Newsweek*	3,005,995	143,190	5.0

Source: FOLIO: analysis of ABC Fas-Fax report, June 30, 1987
*Only magazines with publisher's statements in both time periods were considered
**Compared with the same six-month period in 1986

***Absorbing the circulation of** other magazines last year helped both* Good Food *and* Discover *post major subscription gains in the first half of 1987. The former acquired the readership of* Great Foods, *while the latter bought the subscription lists of* Science Digest *and* Science '86.

Florida limits telemarketing

Becomes first state to give residents 'no call' option

Tallahassee, Fla.—Florida recently became the first state to take tough measures against cold telemarketing calls to residents. Legislation, effective October 1, allows residents a "do not call" option in telephone directories. For 95 cents to $1.25 per month, residents may purchase a line after their names specifying no solicitation calls.

Telemarketers see difficulty complying with the bill, says Julie Crocker, director, state government affairs, Direct Marketing Association (DMA). Although the "no call" option will appear in the state's 71 directories, telemarketers generally get names from list sources other than directories, Crocker says. The new law thus forces them to match lists to telephone directories, a time-consuming and costly process.

The law will prove especially troublesome for out-of-state telemarketers, she adds. Although the bill does not specifically address non-Florida marketers, Crocker asserts that they must comply.

Publishers might also note that the law exempts newspapers from compliance, but not magazines.

The law also prohibits telemarketers from calling unpublished numbers. In addition, telemarketing representatives must immediately identify themselves and the companies they represent, and, within the first 30 seconds of the call, must ask consumers if they are interested in listening to a sales presentation.

The DMA discussed alternative measures with legislators before the bill went into effect, says Crocker. One proposal would have added Florida residents who do not want calls to the DMA's "telephone preference service" list, which currently contains 50,000 names. Telemarketers can match this list against their own calling lists.

The DMA also favored Washington state's policy, which allows residents to tell a telemarketer not to call again. Telemarketers are responsible for complying, Crocker explains.

Threats from other states

Other states that have proposed "no solicitation" telemarketing legislation include Illinois, Minnesota, New Jersey, New York and Oregon. To date, no laws have been passed in those states, says Mary Ann Falzone, editor and publisher of *Telemarketing Management Magazine*, Keyport, New Jersey.

Although civil penalties for violating the Florida law may be as high as $10,000 per violation, both Crocker and Falzone speculate that it will be difficult for Florida to enforce the law.

Revisions may be considered in next year's session, says H. Fred Varn, staff director for the state legislature's commerce committee. Although telemarketers haven't yet asked the state government to amend the bill, "certain groups want to look at this," Varn says.☐

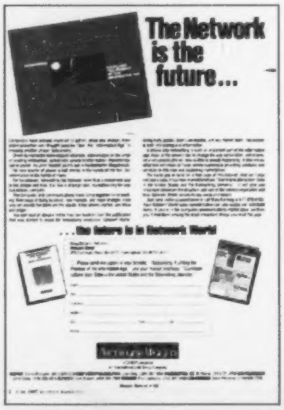
Advertising magazines: What works?

Showing a magazine cover is 'kiss of death' for many trade ads, according to study on reader recall

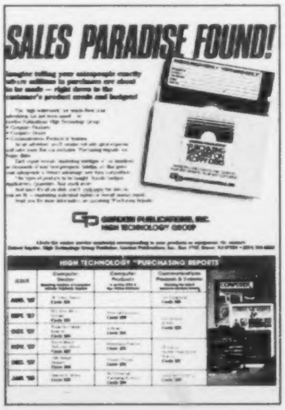
Chicago—How effective are magazine publishers when it comes to advertising their own publications? Not terribly, according to a new agency study—and business magazine publishers are particularly ineffective. Most print ads aimed at advertisers and agencies, the study states, often say too much about the magazine itself and too little about its all-important market that advertisers want to reach.

The study measured readers' recall of 200 ads run by 60 magazines from 21 publishing companies during an 18-month period. Conducted by USA Chicago Inc., an advertising agency with a number of business magazine clients, the study analyzed readership surveys done by independent research firms for *Advertising Age, Business Marketing, Inside Print, Sales & Marketing Management* and *Marketing and Media Decisions*. (*Adweek* was not included.)

The results confirmed some widely held beliefs about magazine trade advertising—and about print advertising in general: Four-color is more effective than black-and-white, and spreads work better than single pages. The study also revealed that, all else being equal, ads that focus on the market covered by the magazine scored higher in terms of reader (in this case,

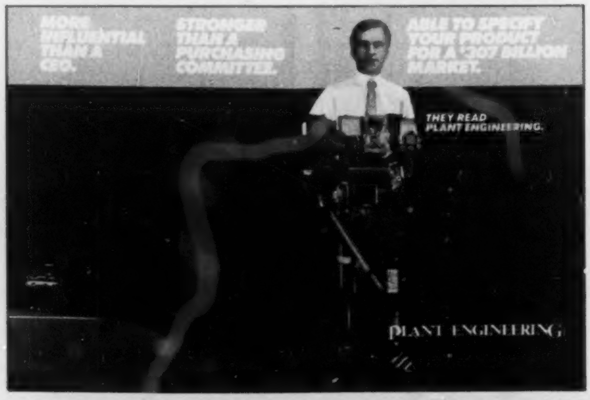

The Network is the future...
...the future is in Network World

19% recall

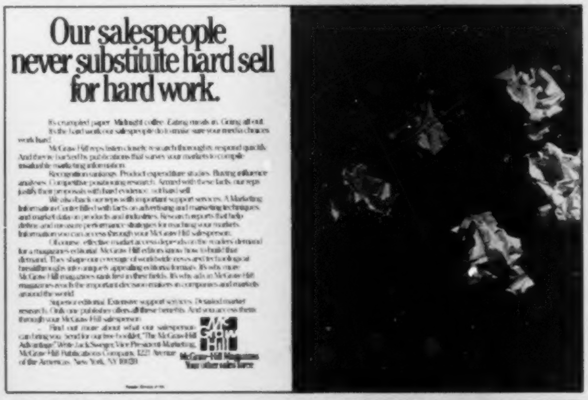

SALES PARADISE FOUND!
HIGH TECHNOLOGY "PURCHASING REPORTS"

28% recall

***The message, not the medium:** McGraw-Hill and* Plant Engineering *scored high in reader recall by explaining how they reached their advertisers' markets; Gordon Publications' ad, by contrast, featured an unmemorable focus on ancillary products and magazine covers.*


MORE INFLUENTIAL THAN A CEO.
STRONGER THAN A PURCHASING COMMITTEE.
ABLE TO SPECIFY YOUR PRODUCT FOR A $307 BILLION MARKET.
THEY READ PLANT ENGINEERING.
PLANT ENGINEERING

62% recall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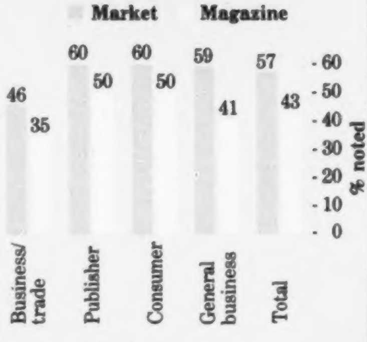
Your other sales force

90% recall

Recall of ads showing magazines and markets



Source: USA Chicago Inc.

***Ads that portrayed** a magazine's market scored higher in reader recall than trade ads that featured only a magazine's cover.*

advertiser) recall than ads that simply spotlight the magazine's cover.

This held true for all categories of magazines. "Showing a cover in a trade ad is the kiss of death," says Patrick Yanahan, president and CEO of USA Chicago. Agency people and their clients "don't want to buy magazines, they want to buy markets."

A few examples: *Money*'s effective four-color ads show its readers in an "affluent situation," notes Yanahan. Similarly, McGraw-Hill's Magazine Group ad, without a cover in sight, earns 90 percent recall with a photo of crumpled paper and copy that discusses how hard the group's sales reps work in supporting advertisers. Earning 62 percent recall is a *Plant Engineering* spread showing a reader "created" from engineering products.

At the low end of the scale are a two-color page for Gordon Publications, Inc., showing a floppy disk, several covers and a chart of purchasing reports (28 percent recall), and a four-color page for *Network World*, showing several covers, a coupon and the head, "The Network is the future . . . " (19 percent recall).

In all, magazine recall averaged about 57 percent for ads showing markets, and about 43 percent for ads showing covers.

The irony of the study, continues Yanahan, is that magazine publishers, who are expert at delivering markets to

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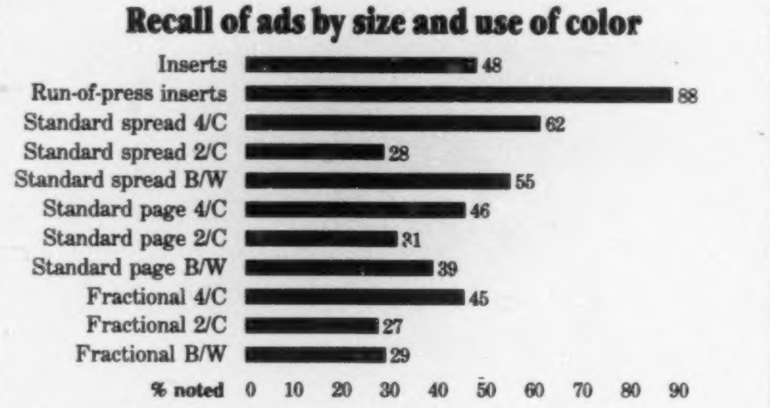

Source: USA Chicago Inc.

***Two-color ads stumble** when it comes to reader recall, according to the USA Chicago Inc. study. Reflecting conventional wisdom, the study also proves that spreads are more memorable than full-page ads, which, in turn, fare better than fractionals.*

advertisers, often falter in delivering their own messages.

Consumer magazine ads scored highest in the study, with about 57 percent recall, whereas ads for business-to-business titles scored lowest, with about 41 percent recall. Falling between were ads for general business titles and for publishers with two or more titles, each scoring about 56 percent recall.

No correlation appears to exist between the size of a publishing company and the effectiveness of its ads. In fact, smaller publishing companies did better as a group than larger ones: A publisher with one title scored about 77 percent recall, while a publisher with 37 magazines had about 26 percent recall. At fault, Yanahan says, is the larger firms' lack of "corporate quality control" over individual titles, which leaves each title to follow its own ideas on trade advertising.

The study findings confirm ad agency executives' sentiments on what makes an effective consumer trade ad. Paul Zuckerman, media executive at DDB Needham Worldwide Inc., says that magazine trade ads should show how the magazine's readers are involved with the publication—"how you're going to move products."

Redbook's impressive trade campaign, he points out, depicts a woman balancing her career and family demands, dubbing her a "juggler." Such a lifestyle, he says, "represents a good opportunity for fast-food chains or fitness-equipment firms," notes Zuckerman. On the other hand, *Better Homes and Gardens*' less effective campaign, which shows a magazine cover, doesn't clearly indicate the market that advertisers would reach, he asserts.☐

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NCOA cleans up its act

Address-correction service expands database and offers nixie feature—but will publishers respond?

The U.S. Postal Service recently upgraded its year-old National Change of Address (NCOA) service, which, users say, should make it a more effective tool for updating publishers' mailing lists.

NCOA, designed to correct mailers' addresses before mailing, will now hold address changes for up to 36 months, instead of the previous limit of 18 months. This change will, in effect, double the size of the database by February 1989. The file currently holds about 30 million address changes.

A nixie elimination file that allows mailers to flag address changes on their is also prohibited in some states.

Worth the price?

Job applicants at Capital Cities/ABC are tested at local clinics selected by the company, and urine samples are analyzed by Psychiatric Diagnostics Lab in New Jersey. If an applicant tests positive for drugs (which include cocaine, marijuana, heroin, barbiturates and amphetamines, but not prescription drugs that the candidate advises the company about in advance), a second, more rigorous test is conducted within 48 hours. This test, which uses gas chromatography/mass spectrometer technology, is completely accurate in detecting the presence of drugs, Rubin claims. "We couldn't go ahead with the program unless we had 100 percent reliable results," she says.

Rubin declined to reveal the cost of the drug testing program except to say it was "significant." Times Mirror pays $100 per person for a drug test and physical exam, says George Moskowitz, director of human services.

Of course, drug testing is not without controversy. Katherine Smith, a personnel consultant with clients in the publishing industry, says that the tests are too expensive and results inconclusive.

"Drug testing companies won't guarantee the results," she says. "If you don't have a guarantee from a company, what do you have?" In one case, she says, an applicant sued an ad agency because the company rejected him after a positive test result. The agency later found that it had mixed up that applicant's results with another applicant's. The plaintiff was hired, but "a lot of bad feelings" resulted.

Lee counters, however, that the state-of-the-art testing technology produces reliable results, and that Times Mirror audits testing labs to ensure that they are doing their job. "The worst thing is to have an inaccurate result and then not offer someone a job," she says. For further protection against lawsuits, job applicants are told immediately about the tests and are asked to sign a release form.

As a result, Times Mirror, which has implemented drug tests at all of its subsidiaries since January, has yet to have any legal challenges to its program, says Lee. "The courts have balanced an individual's right to privacy against the duty of employers to have a safe work place," she believes.☐

Paper prices rise 5% as supplies tighten

But new paper machines could balance increased demand for coated paper

Lightweight coated groundwood prices leaped just over 5 percent early last month as paper mills took advantage of a midsummer spurt in demand and subsequent tight supplies. Following close on a July 1 increase, the latest hike means that prices for coated No. 5 basis weights, commonly used by magazines, have shot up nearly 15 percent from May's list price lows.

As of October 1, the price of 40-lb. coated No. 5 rose $40 per ton to $780 per ton. In early August, prices for No. 4 and No. 3 coated free sheet (which together account for about 6.3 percent of magazine paper use) took a similar jump.

Paper buyers, stunned by the rapid succession of increases, say they expect prices to hold through the winter months, but to increase again as early as the second quarter, when the 1988 Olympics and elections will stimulate demand. Noting, too, that magazine advertising is "inching its way back up," Alan Kavasch, senior vice president at paper merchant Lindenmeyr Central, says, "There's no reason why we couldn't have another increase if demand holds. The paper companies have got to get [increases] when they can."

An encouraging sign for publishers, however, is that projections last spring called for significant coated-paper overcapacity in 1988. This is because several new paper machines are coming on line. That capacity should,

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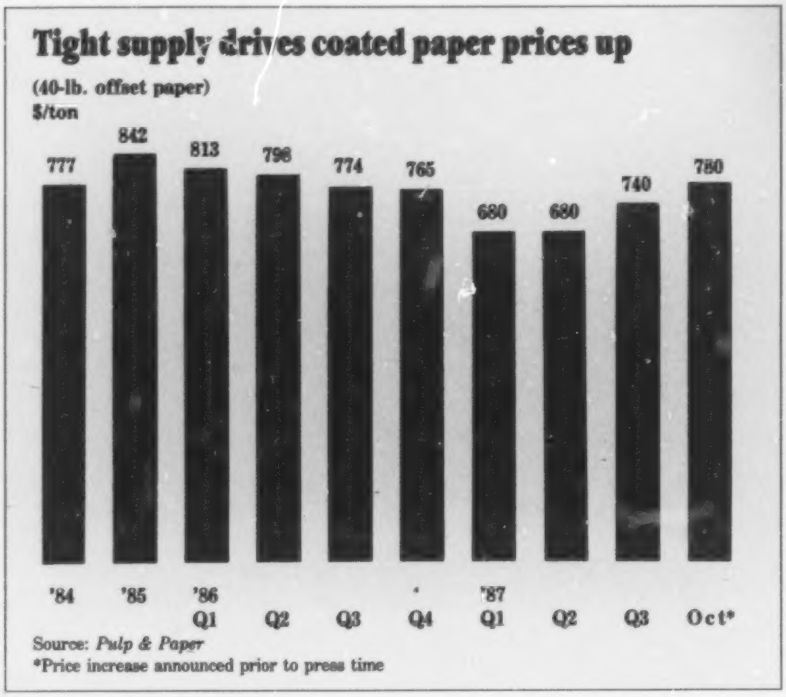
Tight supply drives coated paper prices up

Source: *Pulp & Paper*
*Price increase announced prior to press time

***List price increases** implemented July 1 and October 1 put price levels back to what they were a year ago, with expectations that they may rise again by the second quarter.*

at least, balance increased demand and hold down price increases, according to sources.

"We used to view the Pine Bluff mill as the one that was going to muddy the waters and throw capacity out of balance," says Richard Brown, vice president, publication paper sales for paper merchant Alling and Cory. "But now the situation is, 'what are we going to do without it?' "

Panic in the paper market

At this point, however, paper mills are struggling to rebuild price levels after more than 18 months of decline, say paper merchants and buyers at major magazines. Soft demand led to deep, industry-wide price discounting—even as pulp prices reportedly rose dramatically.

Tight supply resulted in the October increase, says Brown. What's more, labor and production problems, low consumer inventories, threatened strikes, paper shortages and continued foreign competition all hurt the coated-paper market.

Since midsummer many mills have sold coated groundwood papers on allocation, even turning away new customers. This came about, sources say, because of a rash of seasonal catalog paper buys, which sent a ripple of panic through publication paper buyers. Many had let inventories dwindle during the soft-price period, holding out for even lower prices before placing further orders. Rumors of price increases, followed by actual price hikes, sent many scurrying to rebuild inventories, which strangled supply.

For a number of reasons, says Brown, the mills are failing to bring up supply. Persistent manufacturing problems and maintenance shutdowns are plaguing some major facilities, while other mills, including International Paper and Bowater, have had trouble getting new machines to run at capacity on schedule.

Uncertain labor climate

An uncertain labor climate complicates matters. A strike at International Paper's Androscoggin plant led to operating slowdowns that may have caused some publishers and printers to accelerate orders, says Brown. At press time, similar labor problems were hitting other mills at IP and Hammermill Paper Company. At best, Brown said in September, mill production is currently at about 80 percent of full

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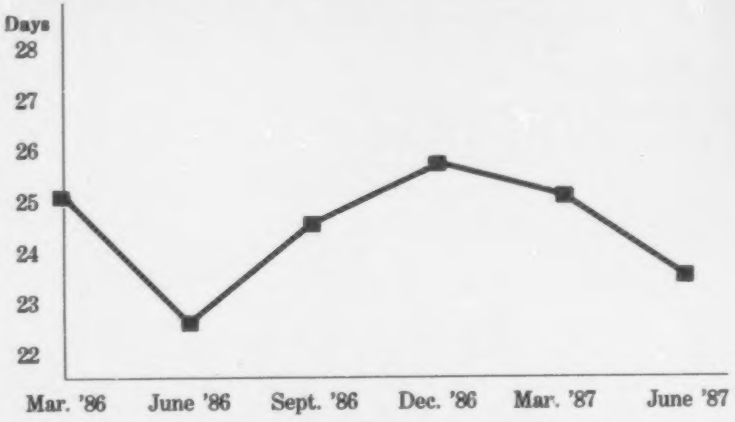
Low paper inventory levels spur demand

Average working days of printer paper inventory



Source: National Association of Printers & Lithographers, second quarter Business Indicator Report

***Many publishers and printers** allowed inventories to dwindle, some in anticipation of lower prices. Rumors of shortages set off a rush of orders that, combined with labor and production problems, resulted in tight supply and higher prices.*

capacity.

Problems could increase at other mills, Joel Reiss, director of materials, *Newsweek*, noted in September. National labor unions, he said, had sought to exert the bulk of their influence in negotiations on IP contracts, scheduled to expire in September. Those settlements could have a major impact on negotiations at Crown Zellerbach, Fraser and Midtec. Although many coated-paper mills have already agreed to contracts, a worst-case scenario, says Brown, could bring chaos.

"If not for that potential," adds Kavasch, "demand would not be so high."

Foreign supply still rising

Supply uncertainty has also increased foreign-paper demand. According to Norman Wiener, Walker Wiener Associates, sales of high quality foreign coated papers rose to 4.5 percent of U.S. consumption in the first five months of 1987—despite the dollar's fall. In some instances, foreign supply filled in for cuts in shipments by domestic suppliers. Brown, however, sees the overall trend moving away from expensive foreign sources, which shifts an additional supply burden to domestic suppliers.

Also straining supply is the fact that the price of newsprint and supercalendered paper has been gaining on coated No. 4 and No. 5—encouraging some publishers to upgrade to the lower-grade coated groundwoods.

Supply shortages have been difficult for buyers, but, for the most part, not detrimental. Tight allocation, however, has made it tough for Reiss and others to maintain a "prudent" inventory level. Reiss notes, too, that the biggest blow was dealt to publishers and printers who had allowed inventories to dwindle below a 30-day supply. Some are now forced to borrow from other publishers and printers.

Merchants, too, have had trouble securing supply, which, in turn, has hurt magazines. Some mills, for example, have reduced allocations to Alling and Cory. "A number of specialty magazines live and die by our ability to supply them with paper," Brown says, "and we've had to make some judgments on who gets paper." At times, the merchant has borrowed from some customers to fill orders for others, but no core customers, Brown says, have gone without paper.

Uncertainty, say sources, remains the dominant factor in the market. Some now doubt that ad sales will rise as expected in 1988, while capacity remains an unsettling question.☐

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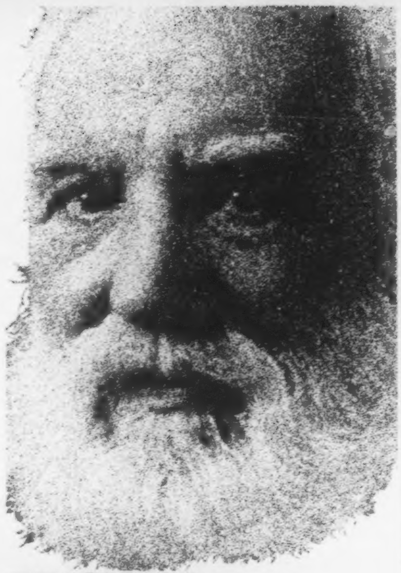

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ers weren't very profitable, the chain's own profit analysis claims that lighters are, in fact, lucrative.

Obviously, Alleger says, the profitability of a certain item depends on how it is promoted. Since the Touche Ross study was based on several stores within a grocery chain, he points out, executives at other chains are not automatically willing to apply the results to their own stores.

Changing accounting habits

At another battle front, he adds, are food and convenience stores that are still unfamiliar with DPP accounting, and continue to measure profitability strictly by gross revenues. However, now that industry trade magazines and trade associations are spreading the word about DPP, he says, magazines may be successful in gaining more space in those stores.

To help the educational effort along, the MPA and CPDA have funded production of a videotape that tells the story of DPP. The two associations are also supplying members with four-color brochures on the study that can be given to retailers.

Presently, MPA is informing top management at 30 major supermarket chains about DPP, with the goal of maintaining or expanding magazine space. MPA particularly stresses the importance of front-end space because a magazine purchase is often an impulse buy. Eventually the MPA wants to get the message to regional and even local store managers, says Lee.☐

More than half of weeklies delivered late

Fifty-one percent of weekly publications were delivered late during second quarter 1987. Of those, 23 percent were delivered more than one day late. Philadelphia and New Orleans tied for worst delivery: Each had 37 percent of weeklies delivered two or more days late. Meanwhile, Detroit and San Francisco boasted 70 percent on-time delivery.

Publications delivery box score:
Weekly second class publications, April 1-June 30, 1987

City/Zip Code	On time	1 day late	Later
Composite average*	**49%**	**28%**	**23%**
Boston (021)	53	25	22
New York (100)	58	28	14
Buffalo (142)	68	22	10
Pittsburgh (152)	43	30	27
Philadelphia (191)	31	32	37
Washington, D.C. (200)	45	29	26
Atlanta (303)	35	31	34
Miami (331)	50	31	19
Memphis (381)	50	25	25
Cincinnati (452)	38	40	22
Detroit (482)	70	16	14
Milwaukee (532)	59	22	19
Minneapolis (554)	65	24	11
Chicago (606)	51	31	18
New Orleans (701)	29	34	37
Dallas (752)	49	34	17
Houston (770)	42	37	21
Denver (802)	38	33	29
Phoenix (850)	53	36	11
Los Angeles (900)	64	20	16
San Francisco (940)	70	18	12
Seattle (981)	66	18	16

*Including other U.S. cities and SCFs not listed.
Source: Red Tag News Publications Association, Inc.

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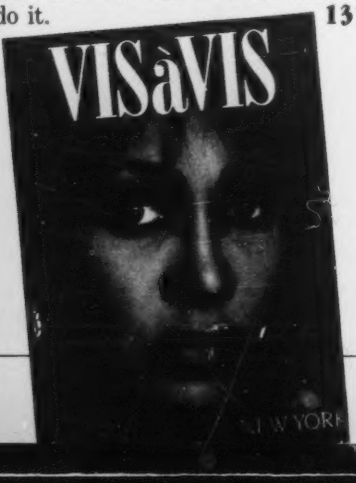
FOLIO: editors profile 20 talented and accomplished young people (35 and under) to watch in the magazine publishing business. **94**

Vis à Vis: Today's magazine of the future

Take a good look at this magazine, which responds in unique ways to today's readers, who have more and more to read and less time to do it. **131**



Big changes in second class

New technology offers opportunities to increase ad revenue and circulation and take advantage of more postal discounts; private delivery has matured and become a more realistic option for some. **121**

1988: More pressure on ad sales

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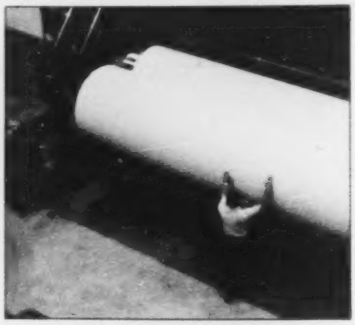

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December 1987

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In trying to keep rising postal rates from running away with their magazine budgets, publishers are looking at a variety of money-saving plans. Palletization, along with drop shipping, pool shipping and pre-barcoding, are among the options now being explored by dollar-conscious publishers.

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After several years of a business tailspin, the printing industry is stabilizing, causing some printers to consider modest price increases.

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***Revived:** After a brief hiatus,* Science Digest *is back, under one of its former editors and under a new publisher, Family Media.*

Digest name with its $26-million purchase of *Discover* from Time Inc. in June. Just a year earlier, Time Inc. had purchased the subscriber lists of both *Science '86* and *Science Digest*, all but eliminating *Discover*'s competition in the popular consumer science field. Grayzel notes that *Discover* has operated profitably since its first issue under Family Media management.

The new *Science Digest* will begin publishing on a bimonthly basis with a March/April cover date. The digest will not compete with *Discover*, as it will target "truly scientifically curious" readers and those who lack the time to read a number of scientific journals and publications. The magazine will brief readers on current science technology and medical news more completely than does *Discover*, says Grayzel. Although the magazine will contain some illustration, he adds, *Science Digest* will not have the color or photographic appeal of *Discover*.

The editor will be Frank Kendig, who formerly edited the original *Science Digest* before leaving to edit the launch of *Omni*. Kendig, who interviewed for the position of editor of *Discover* when Family Media made the acquisition, apparently sparked the company's interest in rekindling *Science Digest*.

Discover remains the primary interest for Family Media, Grayzel stresses. *Science Digest*'s separate sales force will work independently on some single-sponsor issues for their own publication. So far no combination buys have been structured for the two science magazines. There is, however, a 25 percent corporate discount for *Discover* ads purchased in conjunction with Family Media's six other titles, including *Health, 1,001 Home Ideas, Savvy* and *HomeOwner*.☐

Ziff-Davis split may signal end of computer dog days

Ad spending bounces back in computer field, spurring growth plans

Ziff-Davis Publishing Company's recent decision to split its publishing operations into two separate divisions may reflect a resurgence in the computer industry and in the computer magazine field.

In September, Ziff Communications president Kenneth Koppel announced the decision to form two groups from the six-title computer publishing division. William Lohse, former publisher of *PC Magazine*, was named group vice president in charge of *PC Magazine, MacUser* and *A+*. J. Scott Briggs, former publisher of *PC Week*, also became group vice president for *PC Week, Digital Review* and *PC Tech Journal*.

The split is designed to allow Lohse and Briggs to investigate and act more effectively on growth opportunities in the computer magazine field, states Lohse. The magazines, he says, have seen substantial growth in ad sales over the last year, and Ziff is now prepared, financially and organizationally, to invest in launches and acquisitions as opportunities arise. Lohse said in October that several projects were under consideration, but he would not elaborate.

Combined ad revenues for the six magazines rose 43 percent over the last year, according to Koppel. *PC Magazine* saw ad revenues leap 69 percent.

Lohse notes that the size of the computer advertising market has near-

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ly doubled in the last two years, although advertising expenditures retreated in the early part of that period. During those two years, he adds, *PC Magazine* nearly doubled its circulation, and its ad sales nearly doubled in the last year alone.

Throughout the computer magazine industry, in fact, ad linage grew 26 percent from January to September this year, following a 24 percent decline in pages from 1985 to 1986, according to Sheila Clarke, president of Adscope, a Goldendale, Washington, ad tracking service specializing in computer titles. *PC Week* and *PC Magazine* ranked No. 1 and No. 2 in the field in ad pages through September.

Computer magazines also topped the list in ad revenues for all business titles during the first half of the year. *PC Magazine* ranked No. 1, followed by *PC Week* and *Computer World*, a CW Communications/Inc. title.

The increase in pages is spilling into consumer business and financial titles, as it did in the early 1980s, adds Clarke. *Business Week*, *Fortune* and *The Wall Street Journal* have seen computer ad pages rise more than 7 percent.

Ziff-Davis tops computer field

Ad pages through September

PC Week (Ziff)	4,986
PC Magazine (Ziff)	4,149
Computer World (CW Comm.)	3,108
Byte (McGraw-Hill)	2,223
PC World (PC World Comm.)	1,193

Source: Adscope

***Leading the computer field** in ad pages and revenue, the two Ziff-Davis titles also led all business magazines in ad revenue.*

While Ziff-Davis is a prime beneficiary of the ad resurgence, it faces increasing competition from other publishers. Although the field was winnowed to some degree throughout 1986, microcomputer magazine launches continue at a rapid clip. This year's new publications include *Compute's PC Magazine, Publishing Systems, Macintosh Today, PC Resource, PC Clones, Boston Computer News* and *Computer Graphic*. Other magazines are refocusing—in October *Family Computing* became *Family & Home-Office Computing*.☐

A double celebration for *Honolulu*

Honolulu commemorates 100 years of publication in January 1988, but its year-long celebration began in November. Designated the centennial issue by Honolulu Publishing Company, the special November issue closed at three times its normal number of pages. Its cover featured a hologram of King Kalakaua, the last king of Hawaii and the man who established the magazine by royal charter. Originally known as *Paradise of the Pacific*, the magazine is the oldest publication west of the Mississippi River, publisher David Pellegrin points out.

Ten years ago Honolulu Publishing Company, Ltd., was founded to take over responsibility for the magazine. In the past decade, the company converted *Honolulu* to a paid circulation of more than 32,000, and added 10 publications to its roster, including *Spirit of Aloha, Hawaii Drive Guides, Hawaii TV Digest, Hawaii Investor* and *Hawaii Star Vacation Guides.* While the flagship notes its 100th anniversary, the publishing company

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BILL BURKHART

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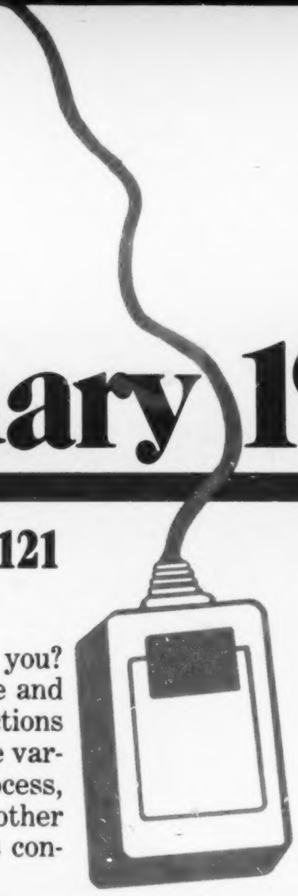
With HBJ Publications in his pocket, Bob Edgell eyes the future. **27**



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ABP ABC MPA

existing large-circulation, general-interest titles already in the ad market. "I don't see it ever actually making money for us," she states. The 48-page, all-color magazine will maintain its corporate identity with its eight-page section, "PM Notebook," devoted to smoking issues.

Catalogs are a pain in the newsstand, say wholesalers

Wholesalers are not enthusiastic about selling catalogs on newsstands, says George Marcum, president of PACIMWA, the West Coast wholesalers group, and president of Tri-County News Co., a California wholesaler. "I don't see much potential for wholesalers or retailers to sell catalogs that are readily available to consumers for free," he says. He also points to the difficulty of finding room for catalogs on already-crowded display racks. But, says John Harrington, president of the Council for Periodical Distributors Associations, it's not that wholesalers dislike catalogs, but have had trouble handling them. For example, UPC codes had been falling off the catalogs—a problem that has now been corrected. Despite these complaints, wholesalers have been distributing catalogs to wholesaler-owned newsstands, says Marcum. Curtis Circulation Co., a national distributor, is channeling some 200 different catalogs to over 400 wholesalers throughout the United States. Curtis obtains its catalogs from Catalog Retail Corporation, which began directly supplying catalogs to Waldenbooks and Eastern Newsstands during 1987. Supermarkets have thus far expressed no interest in catalogs, says Marcum, noting that the stores prefer high-volume, mass-market items.

Soldier of Fortune is sued again over classified ad

Soldier of Fortune, the magazine about military adventurism, is once again grappling with a lawsuit—and once again magazines face the question: Who's responsible for actions resulting from replies to classified ads? This time, the magazine is being sued by the family of Sandra Black, a Texas woman who was murdered in early 1985 by Charles Hearn. Black's husband, Robert, paid Hearn $10,000 to kill his wife after finding Hearn through a *Soldier of Fortune* classified ad that read, in part, "Ex-Marines, Vietnam vets . . . weapons specialists . . . looking for high-risk assignments in U.S. and abroad." Hearn, who confessed to the Black murder, as well as two others, is serving three consecutive life terms in Florida; Robert Black is on death row in Texas. At press time, the magazine was filing a motion for summary judgment, says Larry Thompson, attorney for the magazine. *Soldier of Fortune*, furthermore, "no longer runs personal service classified ads," he says. In June 1987 the magazine reached an out-of-court settlement with Norman D. Norwood, who had claimed that he was shot and his car bombed by individuals who responded to ads offering a "gun for hire."

Are the British tightening the reins on Gralla?

FOLIO: has heard that United Newspapers (UN), the British media company, is starting to take more control of Gralla. UN bought the business magazine company in 1983, giving existing management the freedom to conduct business as usual. Now, however, an industry source says that UN is "making sure it's getting its money's worth. If the Gralla managers don't make their financial projections—it'll be off with their heads." A Gralla executive flatly denies that any changes are taking place. "We've always had a tight rein when it comes to spending and maximizing profits," he says. "There are no indications that we are being watched or have to be extra, extra careful."

Ad revenue growth to come from higher rates, not more ads, Coen predicts

Magazine advertising growth doesn't look particularly promising in the coming year, with ad pages likely to creep up only about 1%, according to Robert Coen, senior vice president/director of forecasting for McCann-Erickson. Making his annual predictions last month at the Paine Webber Media Outlook Conference in New York City, Coen told financial analysts that he expects national print advertising revenues, including magazines and newspapers, to rise 6.4% above 1987 spending, to $9.6 billion. "National marketers will probably maintain their magazine . . . schedules," he predicts, "but most of the expected 1988 revenue increases are likely to come primarily from higher [page] rates." (In 1987, magazine spending rose 4%, he reports, with restaurant advertising leaping by 105%.) Overall, media spending, Coen predicts, will grow 9% to $119.7 billion, with national broadcast spending rising 9.7%, to $20.8 billion. He expects the three major networks to post double-digit growth as a result of the Olympics and elections. "We're poised for some real expansion," concludes Coen, "but I'm afraid magazines will be the last to catch on."

Top product spending changes in '87

These top product categories account for about half the ad revenue of major media.

	Network TV	Magazines
Foods	+ 4%	− 5%
Toiletries	− 3	+ 17
Automobiles	+ 6	+ 14
Drugs/remedies	+ 3	− 1
Cleaners/waxes	−20	+ 1
Candy/soft drinks	+12	− 11
Restaurants	+13	+105

UPDATE

Ad rate increases held below 6%

Publishers face higher production costs, while agencies press for lower page rates

Publishers seem caught between a rock and a hard place as they consider rate changes for the coming year.

On one side, while higher paper and postage costs are putting the squeeze on publishers, the upcoming elections and Olympics paint a bright picture for ad sales. Both factors make a strong case for substantial rate hikes. But, on the other side, agencies say the stock market plunge may keep advertisers at bay, and, they argue, production cost hikes don't seem to justify formidable rate hikes.

The result: On a cost-per-thousand basis, ad rates will increase 5 percent to 6 percent for many magazines in 1988. And the increase pleases few: Publishers say the amount will barely cover expenses, while agencies argue the rate hikes are unreasonably high.

"These are among the most modest increases I've seen in years, says Richard Thomas, senior vice president at Time Inc., where *Time*'s cost per thousand remains constant, and *Sports Illustrated*'s CPM rose only 2.4 percent. Other publishers say they see more of their competitors holding rates flat, or even dropping CPMs, than they have in the past.

Only regional publishers, it seems, are seeking significantly higher rates. Their lower out-of-pocket costs, combined with their relative lack of competition, permit rate hikes upward of 7 percent, says Leo Scullin, media

(CONTINUED ON PAGE 37)

Magazine ad rate changes for 1988

Magazine	% change CPM	Magazine	% change CPM
Playboy	7.0	The New Yorker	5.0
Parade	7.0	Essence	5.0
Cosmopolitan	6.2	Ladies' Home Journal	4.5
Glamour	6.1	Money	4.5
Modern Bride	6.0	Better Homes and Gardens	4.3
Town & Country	6.0	Us	4.0
1001 Home Ideas	6.0	Parents	2.8
Country Living	5.8	Sports Illustrated	2.4
McCall's	5.5	Life	0.0
People	5.1	Woman	−3.3
Yankee	5.0	Modern Maturity	−5.6

Source: Young & Rubicam, publisher announcements

***Playing it safe:** Just a handful of magazines announced CPM rates above 6 percent. Agencies, calling the rates unjustified, plan to negotiate decreases.*

Bullish future for HBJ titles

Edgell plans to add to the 110 titles recently acquired in record-setting sale

What big changes are in store for the Harcourt Brace Jovanovich (HBJ) Publications, now that former HBJ vice chairman Robert Edgell has signed an agreement to buy the group?

Nothing but growth, says Edgell, who had been with HBJ 17 years. Outside of exploring new magazine and trade-show launches, "there won't be any changes in the way we work. We've been a freestanding entity from HBJ all along."

Edgell, with the aid of investment firms and a corporate management group, was expected to close the magazine buy out by the end of 1987, paying $334 million for the 110 business magazines and for Beckley-Cardy, a

MPA earns award for profitability study

For its contributions to furthering single-copy sales, Magazine Publishers of America (MPA) received the Newsboy Award from the Pacific Coast Independent Magazine Wholesalers Association during the recent American Magazine Conference in Palm Desert, California.

The award, given once every three years, represents "the highest possible recognition . . . for efforts to further single-copy sales through wholesaler distribution," noted association officer Bob Bay, vice president/sales, Bay News Company, Portland, Oregon.

MPA earned the honor for its sponsorship of a study of Direct Product Profitability, Bay says. The study revealed that magazine sales are very profitable for supermarkets and convenience stores when space allocation, labor costs and other factors are taken into account. This year, MPA launched a major campaign to inform retailers about the results of the study.

"Wholesalers and publishers are working together in a very positive way to turn around the single-copy sales picture," said William F. Gorog, MPA vice chairman and former president, who accepted the award. "The first six months of [1987] have shown a positive shift for the first time in many years."☐

Kissinger drops suit against *Penthouse*

Dr. Henry Kissinger has dropped his $10 million suit against *Penthouse*, according to an attorney representing the magazine. Kissinger's lawyer could not be reached for comment.

Kissinger brought suit last year when *Penthouse* published a question and answer interview featuring the former Government official. Kissinger had claimed that the author who interviewed him never told him that his remarks were for use in *Penthouse* or any other publication. His belief, he had contended, was that he had been interviewed for background information only for a book by political writer Russell Warren Howe.

Howe claimed that Kissinger was aware his remarks were for publication. The writer sold an excerpt of his unpublished book to *Penthouse*. The magazine did not publish an introduction explaining that the Kissinger interview was part of an upcoming book, acknowledged a *Penthouse* spokesperson at the time the suit was filed a year ago.☐

Ad rate increases held

(CONTINUED FROM PAGE 27)

director, Young & Rubicam.

Yet CPM increases of 2 percent to 3 percent were more what agency executives like John Gray, senior vice president/director media planning at J. Walter Thompson USA, had in mind. "Publishers will obviously try to go high, but will find that when they go to agencies with these rates, it's just simply going to further increase the pressure to negotiate."

Five percent and higher increases, he adds, are "out of line with inflation and out of line with the overall supply

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and demand situation in the magazine business." Network television is still the medium of choice for national advertisers, he claims, despite rate increases that have pushed TV costs more than 10 percent higher than last year.

Publishers disagree that the increases are too high. Postage costs, they contend, will increase 10 percent to 20 percent for most publishers early this year. Paper prices rose some 15 percent in the second half of 1987 and may rise again this spring. Printing prices may also take a jump. Publishers such as Bill Communications say they'll be lucky if a 5 percent ad rate increase will cover cost increases. Many publishers, in fact, plan to raise subscription prices as well.

But publishers get little sympathy from Scullin, who argues that such cost increases are a smoke screen, and are relatively minor components of overall expenses.

"All bets are off"

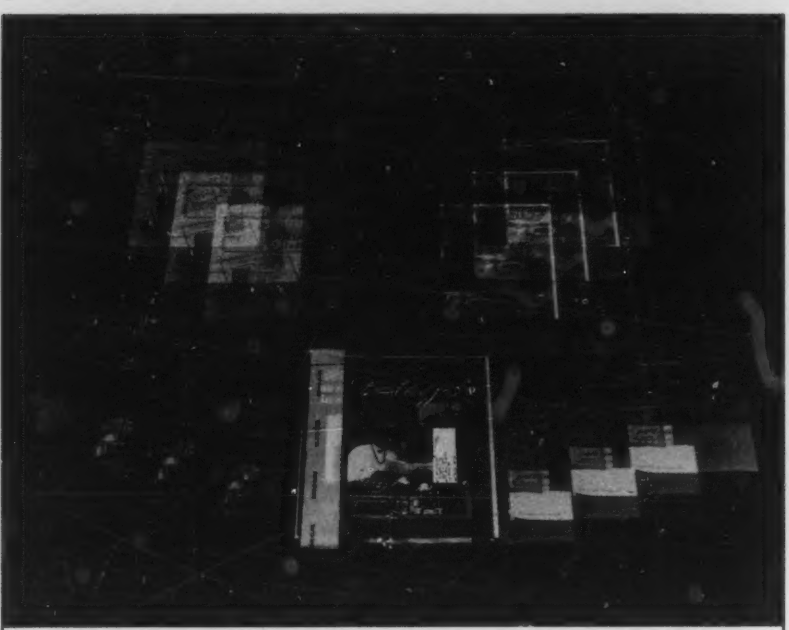
Agencies also doubt that demand for magazine space will rise enough to justify rate increases. Through the fall, publishers were generally bullish about 1988—some were reporting a recovery in such major ad categories as computers, financial services and general consumer advertising, and many noted strong third and fourth quarter ad closings. The Wall Street crash, however, has undermined that optimism. Neither publishers nor agencies are now willing to guess what impact the stock market decline will have on the economy and on ad budgets.

"All bets are off right now," says Joe Meagher, vice president/corporate advertising at Yankee Publishing Inc. "Anything anyone says about ad market behavior is dependent on what's happening on Wall Street."

Several years have passed since a magazine could buck up page rates 10 percent without much commotion. Now, after several years of low inflation, rising competition and a string of relatively modest increases, the noise from agencies begins at 5 percent.

"If [magazine publishers] raise their rates, we're just going to negotiate all the harder to knock them down again," says Gray. "The rates they ask for aren't necessarily the rates they're going to get."

That's no bluster. Intense competition among magazines, contends Gray, gives agencies tremendous



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Top 10 magazine advertisers

Magazine ad spending*

Rank	Advertiser	1986	1985	percent change	percent of 1986 ad total
1	Philip Morris Cos.	$230,130	$214,511	7.3	16.9
2	RJR Nabisco	135,657	164,123	−17.3	14.5
3	General Motors Corp.	129,408	107,524	20.4	15.4
4	Ford Motors Co.	125,071	114,851	8.9	19.2
5	Procter & Gamble Co.	85,506	93,775	−7.8	0.6
6	Chrysler Corp.	78,905	73,579	7.2	18.5
7	AT&T	74,014	88,136	−16.0	16.8
8	CBS Inc.	58,871	59,939	−1.8	31.8
9	Time Inc.	51,166	43,567	17.4	26.8
10	General Electric Co.	50,776	55,378	−8.3	14.3

Source: Publishers Information Bureau as compiled by Leading National Advertisers
*In thousands of dollars

***Close to the vest:** Top magazine advertisers are largely guarding print plans for '88, but at least two—RJR Nabisco and AT&T—plan to maintain their current spending levels.*

choice. "As long as there is a situation of magazine substitutability, then negotiation will continue."

To beat back that pressure, publishers are not only raising rates with caution, they are continuing to turn to rate card incentive/discount plans that would ostensibly increase market share without cutting rate card profit margins. A flurry of "plans" has emerged from competing newsweeklies, adding to the more familiar corporate or package plans from other major consumer business publishers like Conde Nast. Agencies are now watching to see if those plans will be expanded.

"It simply depends on how they're doing in their marketplace," says Michael Ephron, a media consultant formerly with Scali, McCabe, Sloves.

Family Media has no plans to change its "simple and aggressive" matching space discount for two or more titles, says Jeremy Grayzel, president and chief operating officer. He sees, however, a greater emphasis by publishing companies on constructing some kind of package for advertisers interested in specific audience segments.

Even smaller, regional publishing companies are taking a look at corporate plans. "I think you're going to see the buying community start to operate from the standpoint that, if you're a multititle publisher, you're going to have to offer some kind of a corporate rate," says Meagher of Yankee. "An advertiser who runs in two books has a right to some sort of corporate discount, or a very good reason why we don't offer one."

Publishers are also concentrating on merchandising programs, telephone surveys, single-sponsor issues, inserts and other ways to pull in more advertising, says Bernie Kovach, executive vice president of Bill Communications.

Gaining commitments

Publishers, however, are also battling the growing unwillingness of advertisers to commit to long-term schedules. A publisher who used to count on return business must now resell accounts on a quarter-by-quarter basis, says Meagher. While some publishers are willing to offer protected rates in exchange for long schedules, he says, agencies appear to be more interested in short-term flexibility.

On the positive side, incentive/discount plans may turn that situation around. The plans encourage longer schedules, and so may protect magazines from short-term turnover of advertisers, says Scullin.

Yet for all the efforts to nail down new business this year, Scullin warns of a traditional shortcoming in the magazine industry. With each Olympics-and-election quadrennial, he says, the magazine industry benefits to some degree, but often "sit on its hands" when the next year comes around. "It's important to sell hard against the business that publishers receive in 1988," he says, "and still continue to look for new business."—*P.F.*

Advertisers hold the line for '88

While publishers continue to look for a jump in ad spending next year, some leading magazine advertisers say that they plan no changes in the amount budgeted in 1988 for magazine advertising.

Loews Corp., for example, plans "no large increase," says Nancy Lucas, advertising coordinator. Most of the firm's media budget is for print advertising. Similarly, RJR Nabisco "is satisfied with the schedule over the past couple of years," and is budgeting for more of the same, says a spokesperson.

Two other big magazine advertisers, IBM and AT&T, also say that they will hold the line on magazine advertising. Maryann Seduski, AT&T's corporate media manager, comments that there might be a "minimal decrease" in magazine ad spending. The company, she says, began cutting back on ad spending after 1984, the year a big push was made to educate consumers about the meaning of the AT&T divestiture.

Several other large advertisers, including Ford, General Electric, Procter & Gamble, American Express and Philip Morris, would not comment on ad spending plans when contacted by FOLIO:.

Kraft Inc., however, plans an increase in magazine ad spending in 1988, says Scott Horn, media-relations assistant, though he could not say how large it would be. And Sears Merchandise Group will transfer funds from television advertising to print in 1988, says Susan Duchak, national news staff assistant. The retailer had spent a considerable amount on television to publicize remodeling changes in many Sears stores. With that over, "TV is no longer critical and we're allocating revenues elsewhere," notes Duchak. But total ad spending will remain stable, she adds.

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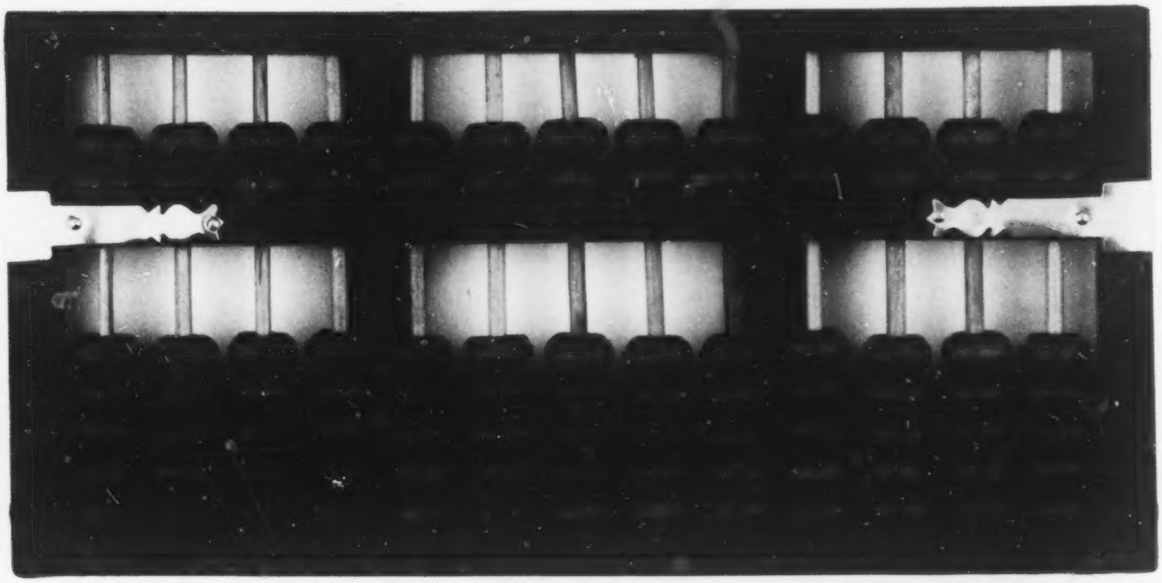

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Selecting a telemarketing service

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Because, despite layoffs and sell-offs, Peter Diamandis is finally running his own show. **51**

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and over again. This will do a good job explaining what's acceptable and preventing inadvertent misuse. But it won't stop purposeful misuse." The challenge facing the DMA, he adds, is getting list brokers, managers, mailers and owners to agree to the check list.

The check list's greatest advantage, says Allen Hansen, general manager, Chilton Direct Marketing, "is in the enlightenment of all concerned. The DMA should go forward, though ultimate enforcement will be tough." Lynn Fischler, list rentals manager for Ziff-Davis Publishing Co., agrees, adding, "It does help to have everything in writing. That way mailers can't deny [any misuse]. They can't say, 'Teacher, my dog ate my homework.' "

The check list will give firms such as Rodale Press Inc., a major list owner and renter, "more control over what people are doing with our lists," says Bill Duch, marketing services director, Rodale, who participated in the DMA subcommittee that drew up the check list. If Rodale finds that a mailer is violating any of the check list provisions, says Duch, the best punishment is to stop the mailer from future access to lists. "That's a far worse penalty than court action."

How it works

Each party to a list rental agreement has certain responsibilities in using the check list, as spelled out by the DMA in a list of operating procedures. For example:

- *The list owner* completes the check list and gives it to the list manager, who records the check list codes for acceptable activities on all data cards.
- *The list broker* asks the mailer to complete the check list for all lists used in a given mailing. If the mailer wishes to follow a procedure that is normally not allowed, the broker must request an exemption from the owner.
- *The data processing center*, which renders the list mailable, requests the completed check list from the mailer and discusses any items that are unclear or unusual. After completing the job, the processing center supplies the mailer with a report describing all processing activities related to the check list. If the owner requires proof that the check list was adhered to, the mailer can supply the processing center's report.—*M.G.*

Late delivery of monthlies climbs to 76%

Late delivery of monthlies increased to 76 percent in the third quarter of 1987, up from 69 percent during the second quarter. Of the 22 cities highlighted here, six delivered at least 85 percent of monthlies late. The worst score belongs to Milwaukee, posting a 100 percent late record. Detroit follows with 97 percent. Phoenix can boast the best delivery, with 100 percent of monthlies delivered at, or better than, the USPS service standard. Seattle takes second place on best delivery, with a 64 percent on-time or better score.

Publications delivery box score: Monthly second class publications, July 1-September 30, 1987

City/Zip Code	Better than USPS standard	Service standard	1-6 days late	Later
Composite Average*	**5%**	**19%**	**68%**	**8%**
Boston (021)	4	26	59	11
New York (100)	3	14	75	8
Buffalo (142)	12	41	47	0
Pittsburgh (152)	1	12	82	5
Philadelphia (191)	5	10	71	14
Washington, D.C. (200)	0	13	68	19
Atlanta (303)	1	18	69	12
Miami (331)	15	36	41	8
Memphis (381)	9	20	51	20
Cincinnati (452)	0	23	74	3
Detroit (482)	0	3	86	11
Milwaukee (532)	0	0	96	4
Minneapolis (554)	4	30	64	2
Chicago (606)	0	11	80	9
New Orleans (701)	9	17	74	0
Dallas (752)	2	17	75	6
Houston (770)	4	14	77	5
Denver (802)	2	30	61	7
Phoenix (850)	60	40	0	0
Los Angeles (900)	8	18	67	7
San Francisco (941)	3	37	50	10
Seattle (981)	22	42	36	0

*Includes other U.S. cities and SCFs not listed
Source: Red Tag News Publications Association, Inc.

Competitive tips for editors

Woman's Day editor in chief outlines the best ways to tug a reader's sleeve

San Francisco—With television, VCRs and newspapers shouting for attention these days, consumer publications must do more than look good and read well in order to lure readers. Tips on nosing ahead of the competition were recently offered by Ellen Levine, editor in chief of *Woman's Day*, who addressed the recent Audit Bureau of Circulations conference:

1. Keep articles brief. "Remember that readers are more impatient than they have ever been," she says. Currently the average story in *Woman's Day*, for example, is 1,500 words; five years ago 5,000 words was not uncommon. "Editors are making blurbs, callouts and heads work harder than ever

54% of weeklies delivered late

Fifty-four percent of weekly publications were delivered late during the third quarter of 1987, compared with a 51 percent late score reported for the second quarter. New Orleans has the worst delivery record, with 81 percent of weeklies arriving one or more days late. Cincinnati follows with a 73 percent late score. Minneapolis has the best performance, delivering 71 percent of weeklies on time. San Francisco follows with a 65 percent on-time score.

Publications delivery box score: Weekly second class publications, July 1-September 30, 1987

City/Zip Code	On time	1 day late	Later
Composite average*	**46%**	**27%**	**27%**
Boston (021)	48	26	26
New York (100)	49	29	22
Buffalo (142)	53	27	20
Pittsburgh (152)	38	29	33
Philadelphia (191)	28	28	44
Washington, D.C. (200)	49	27	24
Atlanta (303)	34	34	32
Miami (331)	45	28	27
Memphis (381)	47	30	23
Cincinnati (452)	27	40	33
Detroit (482)	60	27	13
Milwaukee (532)	56	27	17
Minneapolis (554)	71	19	10
Chicago (606)	53	27	20
New Orleans (701)	19	19	62
Dallas (752)	47	30	23
Houston (770)	47	31	22
Denver (802)	34	32	34
Phoenix (850)	61	17	22
Los Angeles (900)	63	21	16
San Francisco (941)	65	17	18
Seattle (981)	62	15	23

*Includes other U.S. cities and SCFs not listed
Source: Red Tag News Publications Association, Inc.

before," Levine notes.

2. Try to create the news, particularly through surveys. "Surveys help editors find out what readers are thinking," she explains. "They give readers a sense of involvement; and newspapers and television report the findings as news."

3. Remember that sex still sells, but not the way it once did. The "how-to" articles of the seventies are no longer popular in today's age of AIDS; editors are running more sex scandal articles and "safe sex" information. A 99-question survey about sex published in *New Woman* yielded 34,000 responses from the 1.2 million circulation magazine, and many respondents checked off subscription orders, indicating that sex and surveys are good selling tools, says Levine. Furthermore, more men than ever before bought the issue that reported the findings. Which leads to the next point—

4. Provide readers with information they can't get elsewhere. Editors must also be diligent about learning what readers are getting in other media. Watching a lot of television works, and at *Woman's Day* each editor is required to subscribe to a small town's newspaper. Editors then know what's talked about in Kansas, Ohio and other states, she explains.

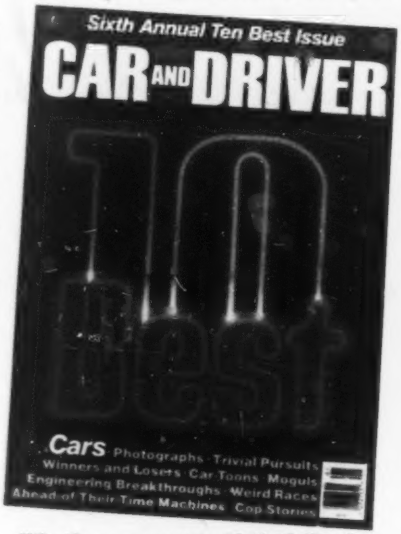
5. Strive for exclusives, now more than ever. "This is hard because newspapers do it faster, and books pay a lot more than magazines," Levine observes. "Editors have to rely on the brilliance of their staffs to know when they've stumbled across really big news," she says. *Money*, for example, won critical acclaim with its March 1986 piece on a blood bank and its sluggishness in dealing with AIDS, she notes.

6. Never focus too intently on winning awards. "They make you feel good, but what makes you proudest as an editor may be the least likely article to sell your magazine," she cautions. "Too much of this is bad for the bottom line."

7. Create a list. Readers enjoy finding out about the richest people, the highest-paid executives, and the most eligible men, Levine says. *Car and Driver*, for example, runs a list of the year's 10 best cars in its January issue, boosting newsstand sales in what is traditionally a slow month.

8. Watch for new trends, and remember that formulas don't work. Subject matter that sold your magazine three years ago, or even eight months ago, may not work now. Editors can no longer insert certain articles about certain subjects during the year and expect to sell magazines.

9. Remember the power of the press. Levine notes that a *People* article about a Georgia farmer facing foreclosure inspired readers to send $14,000, and a banker to save the farm. "We can make lives better or worse by what we publish," she concludes.—*J.A.*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What's on your top 10 list? Readers are drawn to annual lists, like* Car and Driver*'s 10 best car performers, Levine notes.

Magazines come up short in study of Supreme Court

Losers in libel cases, magazines post a poor record in the high court

New York City—Magazine publishers who look on the Supreme Court as the ultimate guardian of the press may change their minds in light of a new study on media success in the high court.

Media have had less success in Supreme Court cases than litigants in general, the study discloses. Although magazines have been somewhat more successful than all media combined, their high-court performance has been poor in libel and privacy cases.

The study, conducted for the Gannett Center for Media Studies by David A. Anderson, professor of law at the University of Texas, analyzed all media cases ever brought before the Supreme Court. Two-thirds have been decided in the last 30 years.

"Since we know historically that magazine publishers can't count on good treatment by the Supreme Court," Anderson concludes, "[publishers] ought to think about legislative—both federal and state—means of advancing their interests."

Calculating a 'success index'

In determining the success rate of the media in the high court, Anderson took into account two factors: 1. Petitioners (who initiate court action) are generally more successful than respondents. 2. Media organizations have been petitioners in about 75 percent of the court cases. Anderson then calculated a "success index" that reflected the difference between the actual percentage of winning media cases and the expected winning percentage.

Anderson found that all media litigants (newspapers, magazines, books, broadcasts, movies and pamphlets) won 52.8 percent of the Supreme Court cases between 1791 and 1986 (105 out of 199 cases). Their success index, however, was -7, or seven points under what they should have scored, given the fact that they were so often the petitioners.

Magazine litigants, according to the study, have won 10 cases and lost nine, a winning percentage of 52.6 percent. Their success index was -3, based on their status as petitioners in 12 cases and respondents in seven.

The picture deteriorates further when looking only at "press" cases—those arising from the gathering or dissemination of news or commentary. In those cases, magazines have won four cases and lost six, with a success index of -14. Publishers, furthermore, have won only five of 10 libel or privacy cases—a poor record given the fact that they tend to be petitioners in these cases, notes Anderson. They have, however, fared better in obscenity cases; in five contests they have won four times.

The overall lesson of the study, Anderson believes, is that publishers might better seek legislative solutions to legal issues than stand on their constitutional rights in court. "There is no reason to think that the Supreme Court will be receptive to a claim because it's a magazine or a First Amendment claim," says Anderson.

Anderson also made the following observations in his study:

- The only period in which the media fared better than the general group of litigants was from 1954 to 1969, under Eisenhower appointee Earl Warren.
- Although magazine publishers have won few libel cases, the media as a whole have been most successful in cases on issues involving prior restraint, libel, privacy and broadcast regulation.
- Pamphleteers have been the most successful class of media litigants, and book publishers the least. No class of

Media are victors in half of Supreme Court cases

Win rates by type of issue, all media

	Total	Won	% Won	Success index
Obscenity	49	30	61.2	− 1
Prior restraint	22	16	72.7	+ 9
Libel or privacy	31	19	61.3	+ 8
Editorial control*	10	2	20.0	−30
Broadcast regulation	25	13	52.0	+ 5
Access to news	9	4	44.4	−13
Contempt or criminal prosecution	15	8	53.3	−12
Commercial speech	5	2	40.0	−23

*Includes confidential sources, newsroom searches, scope of discovery, and right to refuse to publish or broadcast

Win rates by period, all media

	Total	Won	% Won	Success index
1791-1986	199	105	52.8	−7
1970-1986	82	42	51.2	−2
1954-1969	50	34	68.0	+5
1926-1953	41	25	61.0	−2
Before 1926	26	4	15.4	N/A**

**Index not valid before 1926

Source: Study conducted by David A. Anderson for the Gannett Center for Media Studies

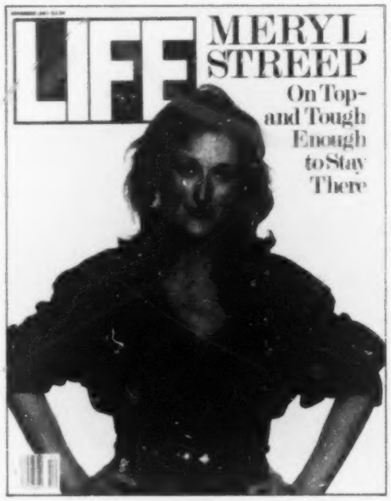
The high court sided with the media on most prior restraint and libel cases, and voted against them on most cases involving editorial control. A negative "success index" indicates that the media failed to win many cases in which they were petitioners.

media litigants, however, has enjoyed conspicuous success.

- Media cases that emanate from state courts have been won twice as often as those from federal courts. Federal appeals have made the media net losers in the Supreme Court.
- Media groups fare best in decisions that rest squarely on First Amendment grounds, such as the landmark libel case, *New York Times Co. v. Sullivan*, and the Pentagon Papers prior-restraint case.
- Only a few Supreme Court decisions, such as those above, have produced real breakthroughs in freedom of the press. Most media wins represent modest incremental gains, refining existing law and extending rights to new situations. Some wins, on the other hand, have had unwelcome effects: *Firestone v. Time Inc.*, for example, established mental anguish as grounds for bringing a libel action. (Libel cases had previously been based solely on damage to reputation.)
- The Rehnquist Court has shown no new hostility to media litigants. In fact, the media won five of the six cases decided in Rehnquist's first term as chief justice. Rehnquist himself voted with the media litigant in three of the six cases, though his career record tallies 24 votes for the media, and 52 votes against them.

Anderson questions the popular argument that the current Powell vacancy on the Court is critical because he favored the media. Overall, Powell voted for the media 35 times, and 33 times against them; when casting the decisive vote, Powell went with the media three times and against them 16 times. By contrast, Justice Antonin Scalia has already twice cast the decisive vote for the media.—*M.G.*

Will free offer banish *Life*'s ad page declines?



Advertisers can no longer object *to the cost of preparing materials for* Life's *oversize pages.*

In hope of turning around ad page declines, *Life* is offering all advertisers free color separations, says David Long, ad sales director.

The goal is to make it easier to buy a page in *Life*, he says. Because *Life* is oversize—10 inches by 12 7/8 inches—an advertiser has to spend a good amount of money on color separations in order to add the magazine to its other media buys, notes a spokesperson in the production department. The magazine is also gravure printed, which also adds certain production burdens not found in most magazines.

Previously the magazine converted color materials for advertisers, but charged cost. Fees ran between $1,200 and $3,000, says Long.

Response has been good, with ad pages holding steady, and with 50 percent of the advertisers in the February issue taking advantage of the free separations, says Long. By year's end he expects 75 percent of the advertisers to be using the service. Some advertisers, however, will not consider turning over production work because it means loss of proofing control, says Long. He notes that *Life*'s production schedule does not permit sending separations back to advertisers for approval.

The free color separation offer accompanied a 6.7 percent rate base increase, to 1.6 million. Ad rates were raised accordingly.

For the first nine months of 1987, *Life*'s ad pages were down 10.9 percent, to 406.41 pages. Long explains that the magazine had done especially well in 1986 because of its 50th anniversary issue. If the 200 pages that ran in the 1986 anniversary issue are excluded, ad pages were actually down 9 percent, he says. The color separation offer, he hopes, may be one factor that helps change the total in 1988.□

Newsletters delivered by radio wave

Electronic distribution gets the news out to subscribers in minutes

■■ Many magazine publishers who pride themselves on timeliness have turned to newsletters to supplement their regular editorial menu. Yet even a daily or weekly newsletter loses some of its immediacy because of printing and mailing time. One new alternative now being tested by two trade newsletter publishers, however, brings newsletters to subscribers across the country within minutes of an editorial deadline.

The Personal Information Network (PIN), offered by Indesys, Sunnyvale, California, uses FM radio waves to carry newsletters or other such information directly into personal computers without the use of satellite transmission or multiple long-distance telephone connections. Subscribers receive scheduled transmissions to read as computer files, or as computer print-outs.

The editorial department develops the newsletter on a PC, as it would a standard newsletter. But, instead of creating mechanicals for reproduction on a printing press, the computer file is transmitted via telephone lines to the Indesys headquarters. Indesys then fits a computerized subscriber list to individual copies of the newsletter file—analogous to putting an electronic address label on a digital copy of the newsletter. The electronic label is then used to route the individual newsletter files by telephone through a network of cooperating FM radio stations, which transmits the files over specific FM radio bands.

Each station transmits information only to those subscribers within a 50-mile radius. Subscribers, equipped with special receivers designed by Indesys, pick up only that information intended to reach them. Delivery times range from less than an hour to overnight.

Unit cost for electronically producing and delivering a newsletter, says Bruce Krogstad, vice president of sales and marketing, Indesys, is pennies a

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EARL KELENY

Audience measurement: Inching toward a solution

Readership figures generated by Simmons Market Research Bureau and Mediamark are continually under attack. And that can mean confusion and trouble for the magazines that depend on the numbers for their bread and butter. What are the problems and what is being done to solve them? Is a Gold Standard possible? **84**

Creating a winning direct mail package

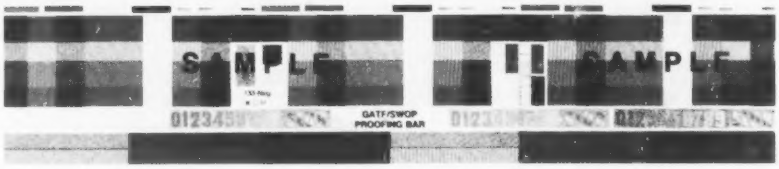
Imaginative use of tried and true techniques will go a long way toward overcoming difficult or unexciting subject matter when a direct mail package is being created. And the result can be a winner that lasts for years and years. **104**

Negotiating teams step up rate pressure

Get out your baseball bats: Ad agencies are turning loose "teams" of top executives to play hardball with magazines. Not many publishers like the latest trend in the print advertising game, but a few see a silver lining. **22**

Harold Evans: Pulling no punches

Glowing reports of moonlit cruises, cheery tales of souvenir shopping—fine for travel brochures, not for *Conde Nast's Traveler*. Editor Evans shuns happy-talk vacation planning and covers travel as a sharp-eyed journalist. Advertisers may wince when he reviews airline efficiency, but readers pay attention. **51**



How to work with your printer to keep offset reproduction problems under control

It should never be the production manager's job to scurry around the pressroom like a master detective at the scene of the crime. But knowing what can go wrong will make it possible for you to work with your printer to achieve better printing results. Consultant Alex Brown describes 13 common problems and offers advice and insight. **94**

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Learn how to make the money you spend creating and producing a media kit generate new and significant advertising revenue.

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ABP ABC MPA

UPDATE

1987: Turnaround year for consumer titles

Ad page woes end after two years of declines; fashion titles still hot

■ *New York City*—Reversing a two-year decline, the 147 magazines surveyed by Publishers Information Bureau (PIB) enjoyed a 3.1 percent increase in advertising pages in 1987 over 1986, for a record total of 155,636.92 pages. The turnaround followed a 1.4 percent drop in 1986, and a 3.3 percent fall in 1985.

Ad pages were up in eight of nine magazine categories—the exception being mechanics and science, in which pages declined 1.6 percent. (PIB did not arrange titles by category in its 1987 report; FOLIO: has grouped titles following last year's PIB format.)

Good news also turned up on the revenue side. Ad revenues for the titles were up 5.5 percent in 1987, reaching a record $5,389,746,073. This percentage jump exceeded the previous year's 3.3 percent rise, and is the largest annual increase since 1984. Revenues hit the plus side for all nine magazine categories.

Above-average revenue growth occurred in each of the following major product categories, according to Magazine Publishers of America: toiletries and cosmetics (up 15.7 percent), automotive (up 13.4 percent), apparel (up 10.3 percent), mail order (up 10.0 percent), computers and equipment (up 9.9 percent), travel (up 9.0 percent) and publishing and media (up 6.1 percent).

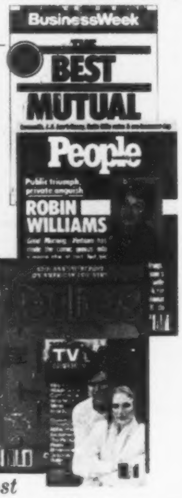
Despite the positive signs for the year as a whole, 1987 ended on the downside, as December ad pages and revenues declined 0.7 percent and 1.5

(CONTINUED ON PAGE 44)

Top 10 magazines by advertising pages

1987 rank	1986 rank	Publication	Pages	% change from 1986
1	1	*Business Week*	4,708.86	+21.0
2	3	*TV Guide*	3,626.45	+ 1.7
3	4	*Forbes*	3,626.11	+ 6.1
4	2	*People*	3,581.88	− 4.8
5	5	*Vogue*	3,294.71	+ 3.2
6	6	*New York*	3,132.26	+ 0.3
7	7	*Fortune*	3,017.64	+ 3.8
8	9	*The New Yorker*	2,703.18	+ 1.0
9	8	*Sports Illustrated*	2,651.52	− 2.2
10	11	*Newsweek*	2,564.19	+ 1.3

Source: Publishers Information Bureau



Unlike 1986, when all of PIB's top page sellers actually lost pages, 1987 saw gains for eight top magazines, notably Business Week.

Computer title gets personal

Ink-jet addressing helps *Online Today* stand out in the crowd

■ A special-interest computer monthly is blazing trails in ink-jet printing, a bindery-line technology that has been slow to make its way into magazine publishing. By ink-jetting personal messages on its front cover, and by tailoring special inserts to selected readers, *Online Today* is pushing both editorial and ad sales in new directions.

Online Today, a seven-year-old computer service magazine, is distributed free to 400,000 subscribers to CompuServe Information Services, an online computer resource service of more than 300 databases. It is precisely that tie-in that has made personalized issues possible.

Registration for the CompuServe services, via modem through the online computer system, includes an electronic user qualification form. That form's information, combined with records of the specific databases the customer uses regularly—such as financial services, travel, even journalism—gives the magazine a detailed, up-to-the-minute profile of each reader.

So far, *Online Today* has used ink-jetting only for promotional purposes. The February issue, for example, pitches the magazine's sister publication, *Online Today Daily Edition*, a daily online news service for the computer industry.

Online Today has bigger plans, however, for putting its sophisticated list information to work. Using ink-jet and selective binding technology, *Online Today* plans to help the magazine stand out in the increasingly dense crowd of computer magazines, says

COURTESY OF THE HEARST CORP.

"I did the right thing," says* Cosmo *editor Helen Gurley Brown, whose AIDS article came under fire.

advised not running it, and three approved of the article and said they would stand by her if she published it.

"I could have sent the article out to six more people, or 600 . . . I could have gone on forever," said Brown.☐

New 'matchmaker' service for freelancers

Magazine editors can now be matched to freelance writers through Phoenix Information Services, Inc., Littlefork, Minnesota.

Phoenix, founded by John Sorenson, a former freelance writer and school teacher, has compiled a data bank of freelancers, listing specialty subject matter and other credentials. At the same time, Phoenix is collecting names of magazines, book publishers, video production firms and other companies that buy written material.

"When we get requests from editors we can match up a story idea to a certain writer," explains Sorenson.

Magazine editors who want to find freelancers pay Phoenix a $95 annual fee; freelancers who wish to be part of the network pay the same amount. The company is establishing an on-line, computer database, for which members will pay a per-minute fee.

To date, Phoenix has approximately 540 names on its database. Most of those names are freelancers looking to sell pieces, but approximately a hundred are publishing companies, mostly smaller circulation magazines and newsletters, and newer publications. More information is available by calling Phoenix: 218-278-6626.☐

1987: Turnaround year

(CONTINUED FROM PAGE 21)

percent respectively.

The hottest magazine category continues to be fashion and service. In 1986, that category led all others with a 13.1 percent growth in pages; last year, pages grew 8.3 percent, while revenues shot up 15.0 percent.

Leading the field, *Elle* enjoyed a 46.8 percent growth in ad pages, coupled with a 145.7 percent jump in revenues. The only loser among *Elle*, *Glamour*, *Harper's Bazaar*, *Mademoiselle* and *Vogue* was *Harper's Bazaar*, which declined 6.3 percent in ad pages, though ad revenues rose 2.4 percent.

Business weeklies gain

The business category saw the most significant ad turnaround in 1987, with pages jumping 6.5 percent and revenues climbing a healthy 18.2 percent. This follows two years of declines. The big winner was *Business Week*, which gained 815.69 pages, or 21.0 percent, giving it more ad pages than any other PIB magazine (4,708.860). This compares with a 7.6 percent page decline in 1986. *Inc.*, which changed publishers last year, saw pages rise 13.6 percent, following a 10.5 percent decline in 1986. *Forbes* and *Fortune* also boosted their page totals, by 6.1 percent and 3.8 percent respectively.

On the other hand, ad pages rose a paltry 1.9 percent for 21 women's magazines, while revenues were virtually flat. By contrast, revenues rose 4.6 percent in 1986 and 7.6 percent in 1985. Ad page leaders include *Bride's* (up 19.1 percent), *Health* (up 17.0 percent) and *Modern Bride* (up 12.6 percent).

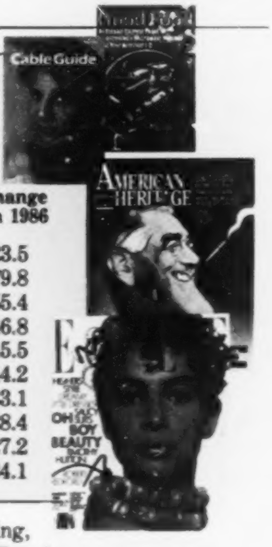
Despite apparently rampant rate cutting, five of the "seven sisters" magazines suffered ad page losses, led by *Good Housekeeping*, whose pages fell 13.3 percent.

Most other categories saw modest ad page gains last year:

- Weeklies and biweeklies (15 titles) rose 1.0 percent in pages, 2.6 percent in revenues. Fueled by a successful trade ad campaign and four twentieth anniversary issues, *Rolling Stone* led the pack with a 20.4 percent gain in pages and a 33.3 percent rise in revenues. Among the newsweeklies, *Time* dropped 8.3 percent in pages, while *Newsweek* and *U.S. News & World Report* grew 1.3 percent and 2.0 percent respectively.
- General interest magazines (60 titles) increased pages 2.7 percent and revenues 6.1 percent. The more notable page gainers include *Good Food* (up 79.8 percent), *Cable Guide* (up 55.4 percent) and *Vanity Fair* (up 44.2 percent). On the other hand, *Games* declined 55.0 percent in pages.
- Home magazines (18 titles) inched up 0.9 percent in pages, but rose 8.1 percent in revenues. *Country Living* and *Metropolitan Home* enjoyed a 20.5 percent and an 18.1 percent gain in pages respectively, while *Southern Living* and *Sunset* slid 14.3 percent

Top 10 magazines by % growth in ad pages

1987 rank	Publication	Pages	% change from 1986
1	*American Heritage*	263.89	123.5
2	*Good Food*	180.18	79.8
3	*Cable Guide*	283.01	55.4
4	*Elle*	2,079.61	46.8
5	*Endless Vacation*	279.51	45.5
6	*Vanity Fair*	860.39	44.2
7	*Harper's Magazine*	357.35	33.1
8	*Scientific American*	558.97	28.4
9	*Bicycling*	883.54	27.2
10	*World Tennis*	389.43	24.1



***Rebounding** from ad page losses in 1986 are* Bicycling, Harper's Magazine, Scientific American *and* World Tennis.

and 10.7 percent respectively.

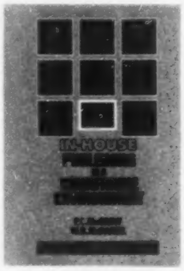
- The outdoor category (*Field & Stream, Outdoor Life* and *Sports Afield*) rose 3.0 percent in pages and 4.3 percent in revenues. *Sports Afield* led with 13.4 percent gains in both pages and revenues.
- *Boys' Life*, the only publication in PIB's youth category, grew 4.2 percent in ad pages, following a 9.1 percent decline in 1986.

Newspaper supplements, listed separately in the PIB report, declined 3.5 percent in ad pages, but grew 2.3 percent in revenues. The supplements include *Los Angeles Times, The New York Times Magazine, Parade* and *USA Weekend*.—*M.G.*

Resources

Nonsubscribers can tap Nexis research through DialSearch, a telephone information service from Mead Data Central. Toll-free phoned-in requests for news, analysis and data from the Nexis database are handled by Mead information specialists. DialSearch clients also have access to some Mead services, including full text of U.S. patents, selected government documents, analyst reports from leading brokerage and investment banking firms, SEC filings and annual reports of many public companies. Most research is completed within 24 hours. Price: $70-per-hour charge for time spent on research, print charges of three cents per line, and a processing fee. An automated clipping service is also available at $15 per search, plus printing charges. Write: Mead Data Central, Inc., 9393 Springboro Pike, P. O. Box 933, Dayton, Ohio 45401. Telephone: 800-843-6476; in Ohio, 800-227-8379, ext. 5505.

The updated ***1988 Directory of the American Society of Journalists and Authors*** lists more than 750 freelance nonfiction writers. It contains approximately 60 new members, more than 75 address/phone changes and dozens of major updates. The geographically cross-indexed entries are also cross-referenced by pseudonyms, subject specialties and areas of expertise covering media, styles and additional skills. Addresses and phone numbers of more than 100 agents in the United States and abroad representing Society members are also included. Price: $50, postpaid. Write: American Society of Journalists and Authors, Inc., 1501 Broadway, Suite 1907, New York, N.Y. 10036. Telephone: 212-997-0947.



In-House Publishing in a Mainframe Environment, by P. C. McGrew and W. D. McDaniel, is a systematic step-by-step guide covering the issues and decisions associated with publishing documents in-house within an IBM mainframe environment. Price: $34.95. Write: Macmillan Publishing Company, 866 Third Ave., New York, N.Y. 10022. Telephone: 212-702-4200.

"Media Memos," a quarterly newsletter for management, marketing, sales, advertising and media executives, provides a roundup of promotional ideas, such as successful merchandising programs, special events, contests and sweepstakes, trade show programs and unique sales presentations. It also offers tips concerning media kits, writing and design techniques, and sales presentations. Price: $59 per year. Write: Julie A. Laitin Enterprises, Inc., 19 W. 44th St., 9th Floor, New York, N.Y. 10036. Telephone: 212-840-1270.

Letraset USA has released a videotape, **Letraset Color Imaging Video**, featuring the uses of its color imaging products through a step-by-step, case-history approach. Copies are available on request; a $9.95 fee is charged to cover postage and handling. Specify Beta or VHS. Write: Letraset USA, 40 Eisenhower Dr., Paramus, N.J. 07653. Telephone: 800-631-1604.

The ***1987 PIA Graphic Arts Awards Annual***, featuring print communications winners from the Printing Industries of America (PIA) awards competition, gives graphic arts businesses and media buyers a look at the latest trends in graphic communications and photography. Fifty-five different categories, including magazines, direct mail and newsletters, are shown in color. Each piece is also identified by printer and entrant; the designer or graphic arts firm is often listed as well. Price: $28.50; $17.50 for winning entrants; bulk order discounts available. Write: Printing Industries of America, Susan Wheeler, 1730 N. Lynn St., Arlington, Va. 22209. Telephone: 703-841-[illegible]92.

A pamphlet, **"The Art of Creating an Effective Qualification Form,"** covers the questions circulators should ask regarding the proper form (size, color, etc.), postal requirements, codes and timing. Single copies are offered free of charge; bulk discounts are available. Write: Business Publications Audit of Circulation, Inc., 360 Park Ave. South, New York, N.Y. 10010. Telephone: 212-532-6880.

The Council for Periodical Distributors Association (CPDA) is offering a free 12-page pamphlet, **"Publisher Newsstand Distribution Alternatives."** Designed for all publishers, with emphasis on new and small publishers, it contains information (including costs) and charts about the options available to publishers in reaching retailers. Write: CPDA, 60 E. 42nd St., Suite 2134, New York, N.Y. 10165. Telephone: 212-818-0234.

The first copy of the**1988 Catalog of Publications Merchandisers** is available free of charge from the Periodicals Institute. Intended to support publication merchandising activities, it includes a wide range of items such as plastic gondola signs, setup displays, custom headers, publications, slide and sound presentations, and display units for meetings or conventions. Write: Periodicals Institute Inc., P. O. Box 899, West Caldwell, N.J. 07007. Telephone: 201-882-1130.

Instruments for the Graphic Arts, a new book from the Graphic Arts Technical Foundation, addresses measurement and control of materials and processes used to produce quality graphic arts products. It catalogs hundreds of instruments, including paper testers, ink testers and process control instruments. Price: $24, members; $48, nonmembers. Write: Graphic Arts Technical Foundation, Order Division, 4615 Forbes Ave., Pittsburgh, Pa. 15213. Telephone: 412-621-6941.

The **Laboratory of Advertising Performance**, a division of McGraw-Hill Research, has released a study of 4,365 ads in 25 publications indicating that

WALTER JOYCE ON PROMOTION

Behind every great salesperson . . .

Today's intensely competitive ad sales arena means that publishers' bottom lines will be well served by increased investments in ad sales support personnel

Publishers have at last discovered the sure-fire lure for scarce sales support talent: It's called money. Salaries are rising and the new money is attracting new talent. Like chumming for game fish, using money to attract talent takes time, but it's a lot more effective than trolling in another magazine's promotion department. And eventually, there will be more fish for everybody.

This new direction represents a reversal of a trend—dominant over the last few years—toward smaller and lower-level support operations. In that insidious process, a whole layer of senior promotion management was swept out of the magazine business.

Example: As recently as four years ago there existed a private luncheon club of a dozen or so ranking consumer magazine promotion directors (maximum club membership being determined by the number of people who could comfortably sit around the table in the Forbes dining room). Salaries in the group ranged from $80,000 to $120,000. There was one female in this male oligarchy. Where are they now? Where they're not is on magazine mastheads: Only three still hold staff jobs.

But, what went around is coming around. Example: A much more democratic magazine promotion/marketing organization has recently been formed under the name Magazine Marketers' Association. Lunch is out of a paper bag in somebody's conference room. Salaries for promotion directors in this group average under $40,000. Of the 50 original members, 39 are female.

The new group's formation is an affirmation of a new sense of self worth and a recognition of shared interests and common personal goals, one of which is to get a more equitable share of the compensation pie. The group's emergence is the first crocus in a springtime foretelling higher salaries, more status and greater management participation for support people—and, incidentally, more competition. Because women will now command something nearer full market value for their contribution, the jobs are worth fighting for. There will be more and better people in the talent pool.

The new direction is a response to the demands of an intensely competitive marketplace. Advertiser pressures have focused generally in three areas: rates, favorable positioning and merchandising. Of the three, merchandising is the least odious—and, properly executed, has substantial positive benefits for the magazine. But sales-effective "value added" programs require sophisticated and imaginative people to run them—*scarce* people, *expensive* people.

Perception is reality

Further, publishers have realized that perception is indeed reality in the media buying arena. Before a magazine can win a place on an advertiser's media schedule, it must be perceived as a legitimate candidate for the business. Rearranging perceptions requires the application of marketing insight and sustained effort. It requires talented people dedicated to the task—*scarce* people, *expensive* people.

Lauren Kamens, who directs the

Table 1

Sales support staff head counts

	Circulation	Promo/research budgets (less staff)	Head counts	Top salary
Magazine A	1,500,000	$1,700,000	10	$90,000
Magazine B	700,000	800,000	5	65,000
Magazine C	1,000,000	700,000	0	—
Magazine D	1,200,000	1,800,000	12	75,000
Magazine E	800,000	875,000	7	65,000

***It is not only salaries** that are increasing for ad sales support personnel. An intensely competitive marketplace and advertiser pressures are forcing magazines to increase the ratio of support personnel to street sales personnel.*

Walter Joyce is a consultant to publishers in the areas of marketing and promotion. Joyce had been senior vice president for promotion at Playboy, *and has served as promotion director of* The Saturday Evening Post, Psychology Today, Careers Today *and* Fortune.

Table 2

Sales support compensation structures

	MPA '84 Midpoint* ($000)	MPA'86 Mean* ($000)	MMA '87 Average ($000)	Kamens '87 range ($000)
Marketing director			63.3	75-110
Marketing services director		63.3		55-75
Promotion director	48.5	52.6	38.7	50-65
Research director	45.6	51.0	36.6	35-50
Promotion manager				32-48
Copywriter		26.5		22-27 jr 28-55 sr
Merchandising events manager				27-35
Promotion assistant			19.7	21-26
Art director		35.7		28-40

*Magazines with $25 million to $50 million in ad revenue

***One result of the intensely competitive** marketplace and advertiser pressures has been the growing realization that sales support personnel are vital—and scarce, and expensive. Prospects for support personnel, as the chart shows, are bullish.*

sales support recruitment operation at the Howard Sloan search firm, spoke to the newly formed Magazine Marketers' Association late in 1987. She had several major points to make:

- The promotion job market was superactive in 1987.
- For copywriters, we're seeing that it is a sellers' market.
- Support staff size is increasing relative to street sales.
- The talent shortage—especially copy talent—is acute.
- The support function was *re*active; it is now becoming *pro*active.

She also noted the emergence of a new job title—marketing director—at the top of the sales support pyramid. This reflects the evolving marketing orientation in magazine advertising sales, and is not so much new as it is a maturation of the (largely *re*active) marketing services function that emerged a few years back.

The marketing director—sometimes a repackaged salesperson, but now more frequently a veteran of one of the support areas—is often the full partner of the advertising director and has decisive authority over rate structures and other pivotal areas. According to Kamens, the new marketing director gets from $75,000 to $110,000 with various performance kickers.

The notion that at least ranking support people should be cut in on bonuses is another reborn idea, acknowledgment of the *pro*active role they should play in increasing profitability.

But even without this new top layer, prospects for support people are bullish. The MPA does a biannual survey that includes support positions. In the 1986 MPA survey, a promotion director's compensation ranged from $29,700 (for consumer magazines with under $5 million in ad revenue) to $77,200 (for magazines with $100 million in revenue). For magazines in the $25 million to $50 million revenue class, the number was $52,600, up 8.4 percent from a midpoint of $48,500 in 1984.

> "Of the three areas where advertiser pressure has focused, this is the least odious—and, properly executed, has substantial positive benefits for the magazine."

An internal survey of members of the new promotion/marketing group produced a range of $30,000 to $50,000 for promotion directors on magazines with 500,000 to 800,000 circulation. Kamens offered a range of $50,000 to $65,000—closer to MPA's number.

Along with higher salaries, publishers are faced with increased head counts. Just a couple of years ago, a one- or two-person promotion operation with maybe a number cruncher in research was close to the norm for smaller magazines. The ratio of street sales personnel to support personnel increased to four, five or six to one. If a field army requires a one-to-one ratio in support of a front-line soldier, surely magazines need better than one to six. But it is economics, not logic, that has won the day. At $35,000, having a promotion "director" spending some of (invariably) her time typing labels is tolerable; at $50,000 or more, the inefficiency verges on criminal malfeasance.

So, there are more eager, low-paid promotion assistants learning the trade and enriching the talent pool. There are more specialists, too—particularly in the areas of merchandising, where creative ideas and heavy client contact have raised job requirements rather substantially.

The big newsweeklies and larger monthlies are exceptions to this expansion. In these shops, once (too) huge support staffs continue to be shaved, mostly by attrition, and by consolidation of function. For example, late last fall Time Inc. centralized the largely mechanical chore of syndicated audience data processing.

Members of the Magazine Marketers' Association surveyed themselves and found that among magazines in the 500,000 to 800,000 circulation range, support head count ran to an average of 5.6 people administering an average budget of about $1,100,000. The magazines involved averaged 11.6 on staff salespeople and used reps in four cities. Some other magazine examples are shown in Table 1.

Adequate staffing is just good business, yet there are economies to be achieved in the effective use of freelance and temporary professional help.

Art departments, once a staple of ad sales support, have felt the headsman's ax most cruelly. Real design talent had to be bought outside anyway, and the convenience of in-house paste-

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Laser Sep.	50.00	60.00	70.00	80.00	90.00	110.00	140.00	190.00	240.00	280.00	350.00	460.00
Plus Mail	40	60	80	1.30	1.50	1.60	2.40	3.20	4.40	4.40	5.90	7.40
or **Fed. Exp.**	10.00	10.00	10.00	20.00	20.00	20.00	25.00	25.00	29.00	32.00	32.00	38.00

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SINCE 1921

Circle no. 69 for more information

up service fell to either/or pressures. The "or" in that equation was often midlevel copy people to knock out the heavy volume of brochure copy, general sales letters and so on that magazines produce. On-staff copy capability is a wise choice, because freelance copy is expensive, and familiarity with an individual magazine's sales platform difficult to come by without a lot of unproductive prep work done with the clock running. But freelance creative help is certainly appropriate for major creative projects, especially for video scripts and other show biz quality communications.

Other services are available—there are freelancers to take on all the details and pain of running parties and merchandising events. There are public relations people with expertise and contacts in many specific markets. The plethora of eagerly available research workers is barely exceeded by the number of Chinese restaurants in the Manhattan telephone book. Every competent promotion director should maintain a list of such resources. Many do—but they don't share.

> "Every competent promotion director should maintain a list of such resources. Many do—but don't share."

Of course, multititle publishers have the option of creating corporate sales support structures—or at least corporate centers for specialized functions such as merchandising. This works best when there are relatively few titles involved, each of which can command the attention it needs. And, unless there is a strong person running the support group, the evil descriptive reactive inevitably applies. If two eggs over easy is what you ordered, don't expect Hollandaise.

The bottom line is that publishers' bottom lines will be well served by increased investments in good people and the compensation levels that attract them. After all, added value is more profitable than slashed rates. And for those of us who have labored so long, so unappreciated, so undercompensated in the back room vineyards, the new grapes are sweet.☐

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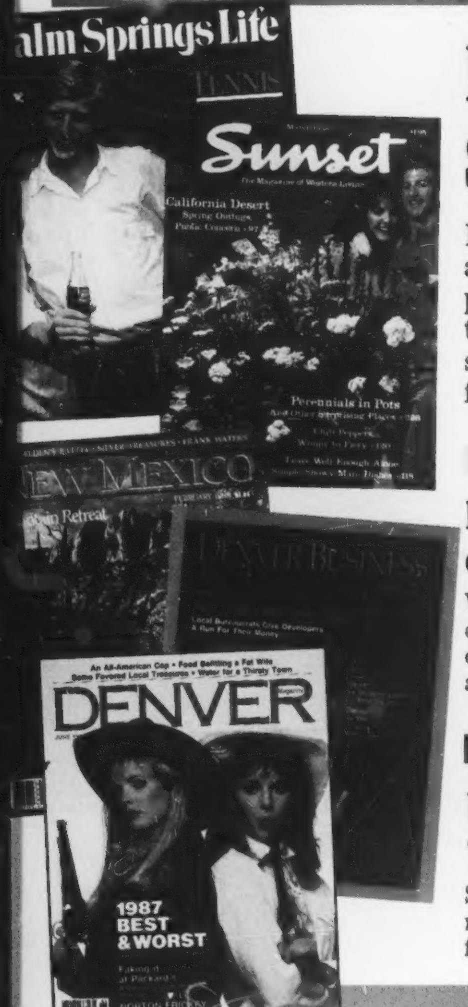
Folio:

MAY 1988 THE MAGAZINE FOR MAGAZINE MANAGEMENT $6.00



Regional magazines: Shakeup and shakeout

Regional consumer and business magazines are bobbing and weaving to maintain their positions in a changing marketplace. Given that regionals are a category in which it can be tough to earn a dollar, questions arise: Which ones will survive? Which ones will flourish? How many will go down for the count? **100**

New postal rates create new headaches

What's the alternative to forking over 18 percent more in postal costs? Publishers are scrambling for answers. **30**

A *Nation* divided

Thirty-four staffers of *The Nation* protest publication of a 'sexist' cartoon about Frances Lear. Why did the editor of this liberal magazine choose to run it anyway? **40**

Vanity Fair adopts 'star wars' publishing

Satellite technology allows this monthly to cover news just days before printing. **34**

DAVID CARTER

Eye of the storm

Editor Dr. George Lundberg invites controversy with mercy killing story. **63**

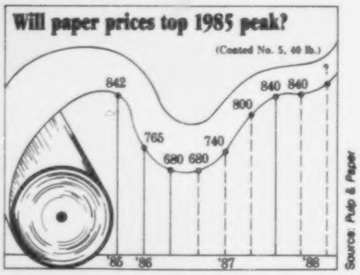
New rival surfaces in the battle for advertising dollars: Cable television

Walking softly and carrying big audience numbers, cable TV is out to capture the ear of media buyers. Detailed demographics? Cable's got them. Targeted programming? That's cable. Well-heeled viewers? Cable again. Although it may never become a potent media buy, expect cable to shake up the ad market a bit. **34**

May 1988

Paper prices keep rolling up with no slowdown (yet) in demand 32

Coated paper prices are zooming toward their 1985 high and beyond. Relief may come only at the price of a recession, say buyers.


Will paper prices top 1985 peak?

(Coated No. 5, 40 lb.)

Source: Pulp & Paper

Circulators and the paper glut 110

Too much to read? Too little time? What you need is a system to organize your reading matter in terms of its utility in helping you make the best business decisions.

What makes a great editor? 130

It takes more than insight, more than the skills to manage, shape, delegate, judge, negotiate, solve. More than the ability to write and edit. A great editor is psychologist, sociologist, crusader, diplomat. And more. Much, much more.

Magazines as moneymakers 118

If you thought the profitability of magazines is not great, you're right. But then again, maybe you're wrong.

Desktop user's report 140

One step at a time is the way *Yacht Vacations* set up its microcomputer production system and began reaping significant savings of time and money.

Circulation hits six-year peak 29

Consumer magazines are finding more subscribers than ever, according to the Audit Bureau of Circulations. But, except for newsweeklies and a handful of monthlies, newsstand sales keep slipping.

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2

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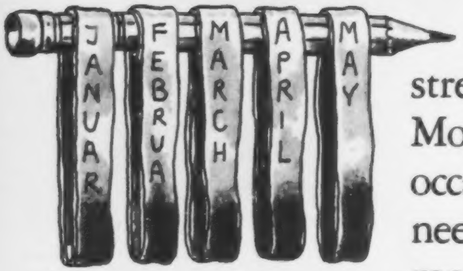

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Consumer magazines hit circulation peak

ABC statistics show overall growth is strong, though newsstand sales continue slide

The circulation picture for the second half of 1987 was the most positive in six years, asserts E. Daniel Capell, circulation consultant. Overall circulation was up for 69 percent of the consumer magazines audited by the Audit Bureau of Circulations (ABC), according to FOLIO:'s analysis of ABC's Fas-Fax report. This compares to a 60 percent increase registered for the first six months of the year, and a 52.6 percent increase for the last six months of 1986.

On the down side, however, single copy sales continued to slide. Fifty-one percent of the titles posted single copy gains, compared to 53.8 percent in the first half of the year. Total newsstand sales slipped 9.3 million, to 79,330,021.

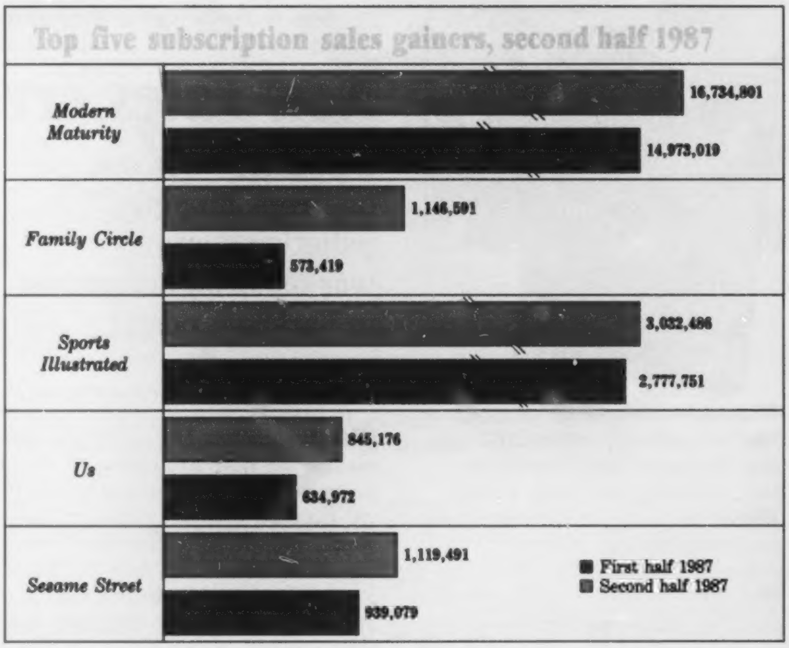
Subscription units, however, climbed to 239,009,311, up by about 2.5 million, with 70 percent of the titles posting gains.

"It is disturbing that the total number of ABC magazines' newsstand sales continue to decline," observes David Foster, circulation consultant. "Every percentage point means a lot of money to the wholesalers. Ultimately, if they can't make the profits on magazines, they will have to turn to other things."

Modern Maturity leaps ahead

Once again, *TV Guide* was the leader in total sales, with 16,969,260 average units sold per week. The total reflects a 6.2 percent gain in subscrip-

(CONTINUED ON PAGE 57)



The "golden years" boom helped Modern Maturity *hit number one in subscription gains and number two in total circulation. Only* TV Guide *has more readers. Other titles in the top 10 of subscription gainers are* The Star, Runner's World, American Health, Game & Fish *and* People.

Smaller magazines squeezed out of cable

Influx of big advertisers means less air time and higher prices

In a year dominated by Presidential politics and the Olympics, smaller magazine publishers are finding it more expensive and more difficult than ever to obtain new subscribers through cable television. Some magazines are consequently running fewer cable TV ads in 1988.

Cable has traditionally offered a strong advertising alternative to smaller magazine publishers and other direct marketers. But now major consumer product companies are squeezing out publishers by moving to cable in droves, says John Squires, circulation

Paper buyers brace for another hike

Supply is tight, mills are fat and happy—only a recession may turn prices around

The unpredictable paper market of the last few months has buyers braced for a July price hike.

Following three consecutive quarterly price increases for lightweight coated No. 5, many buyers were certain of a fourth jump on April 1. Although that increase never materialized, supply for most common printing grades remains extremely tight, and publishers expect their demand to hold through 1988.

If the economy remains as it is, and ad page sales hold, a July 1 price increase is likely, predicts Richard Brown, vice president, Alling and Cory.

Fears of a price increase are further fueled by March's 5 percent to 6 percent increases in No. 4 prices. Many buyers saw the increase as a test balloon for a general price hike.

The question mark, however, is demand. An economic recession, which many buyers fear in 1989, could slow advertising and thus demand.

Catalogs and direct mail also play a role. Last year at this time, mail-order houses, stocking up for huge fall mailings, launched the market into a supply squeeze that set off the recent series of price increases. Whether that surge in demand will recur this May is a matter of much nervous speculation.

Not trusting future demand, sources say, paper mills are looking for whatever increases they can get while demand is firm.

Mixed signals

A number of other market variables complicate the pricing equation. Postal rate increases may loosen supply by forcing magazine and catalog publishers to reduce publication sizes and pressruns. If the dollar remains cheap abroad, U.S. mills may sell more of their output in overseas markets. Expiring labor contracts at pulp and paper mills could result in short-term supply crunches. And continued aggressive increases in pulp prices may force paper mills to hike prices further.

However, as mills approach the price peak reached in 1985, they face greater resistance from their customer base. "[Recent increases] were easy when the paper mills were just trying to regain lost territory," says Brown, "but now they are venturing into virgin territory."

Paper mills cite rapidly rising pulp prices as justification for recent price hikes. April 1 marked the tenth consecutive quarterly pulp price increase, and paper buyers agree that those prices will increase at least once more this year. Apparently, pulp is in short supply, and little new capacity is in sight, notes a major magazine paper buyer. This source, however, like many other buyers, believes that pulp accounts for only a third of paper costs.

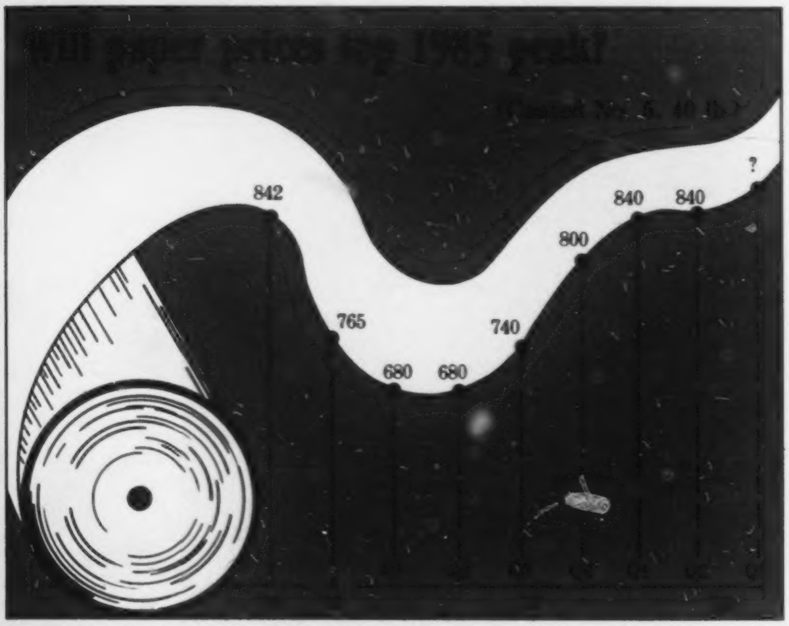
Strategic pricing

Many buyers, too, cite reports that paper manufacturers are riding atop their highest profits in years. "Prices are below their 1985 levels," concedes Arthur Escudero, paper buyer for The Hearst Corp., "but look at their profit/loss statements. I don't hear anyone crying the blues."

As the market equation becomes more complicated, paper mills have apparently launched a more calculated pricing approach, according to Rick Irwin, general manager, Gould Paper Corp.'s publication division. The March increase, for example, raised No. 4 prices nearly 26 percent over a year ago, and pushed the difference between No. 4 and No. 5 grades to an all-time high—about $135 per ton. As a result, several No. 4 users have asked Irwin to investigate a switch to No. 5 papers, many of which have been improved to near-No. 4 quality.

No. 5, however, is already difficult to find. Since last fall, most mills have operated on allocation, and at least one mill cut allocations by 5 percent this year. Suppliers such as Robert Bamman, chairman, Paper Sales Corp., say that every ton available from one magazine's cutback is quickly absorbed by another magazine's expansion. The increased demand is virtually certain to lead to higher prices this summer.

A year ago, the industry was concerned about oversupply. Prices were depressed and a number of major new coated No. 5 machines were yet to come on-line. Today, with those machines in operation, the industry is



Source: Pulp & Paper

Unless demand curbs sharply, there's no end in sight for prices of lightweight coated groundwood paper, sources say.

operating at about 93 percent of capacity and Blandin Paper Company is the only manufacturer to announce additional coated groundwood capacity. Its new 180,000-ton machine will open in late 1989.

Bringing some relief are foreign suppliers who have some 400,000 tons of new coated groundwood capacity, as well as several rebuilt machines, coming on-line in the next two years. Most of the new supply is destined for the U.S. market, says Donald Berkowitz, executive vice president, Central Paper Company.

Although the coated free sheet market is currently on allocation as well, it may see a surge in supply over the next few years, thanks to new and rebuilt machines at Repap Enterprises, Potlatch Corp. and S.D. Warren Co. Champion plans to start operating a new 180,000-ton coated free sheet machine in 1991.

Ironically, No. 2 and No. 3 free sheet grades are the only areas of the market showing signs of loosening supply—small tonnage has been available on a spot market basis. User inventories of those grades have apparently been substantially rebuilt. Irwin notes that some experts have suggested that free sheet grades will go off allocation this month.

Labor contracts also bear watching, particularly at S.D. Warren's Somerset plant, where the contract expires October 1. Alling and Cory's Brown notes, however, that most mills in recent years have kept working through strikes, at a reduced rate or with replacement workers.

In the final analysis, some skeptical buyers question whether mills are producing as much paper as they could. One source claims that reported capacity levels don't quite jibe with shipments. Noting that only one new mill has been announced, he says, "If the market were that tight, wouldn't you think that someone would start thinking about new machines?"

Even some paper merchants have begun to side with publishers. "We would hope that the mills start to show some restraint in price increases," says Bamman. "Certainly their profit levels and stock prices indicate that they are not under the gun for performance improvements like they were a couple of years ago."—*P.F.*

Williamson, Green resolve libel case

Settlement agreement describes facts of early *Byte* ownership

In January 1985 FOLIO: published an article, based on an interview with Wayne Green of Peterborough, New Hampshire, titled "Green: A shade ahead of the market."

In June 1985 Virginia Williamson of Massachusetts filed a libel suit for $5,000,000 in damages against Mr. Green in Federal Court in New Hampshire. Mrs. Williamson claimed in part that the FOLIO: article was false and defamatory and had damaged her reputation. The suit was recently settled in favor of Mrs. Williamson for a substantial sum of money; as part of the settlement, Mrs. Williamson and Mr. Green agreed that:

"At its inception and at all times up to the sale to McGraw-Hill, Inc., *Byte* magazine was the property of Green Publishing, Inc., which was lawfully owned by Virginia Williamson and/or Carl Helmers. Virginia Williamson lawfully moved the assets of Green Publishing, Inc., including *Byte* magazine, from its first headquarters on Pine Street in Peterborough, New Hampshire, to its second headquarters in the Guernsey Building in Peterborough, New Hampshire, in late fall of 1975, and lawfully sold *Byte* magazine to McGraw-Hill in 1979.

"At the time the assets of Green Publishing, Inc., including *Byte* magazine, were moved from Pine Street to the Guernsey Building, there were no bills that Virginia Williamson had left behind. Green Publishing, Inc., owed money to 73, Inc., and, in turn, 73, Inc., owed certain sums to Green Publishing, Inc. The resolution of those obligations was to be settled through an accounting procedure outlined in a December 1975 agreement. Ultimately, litigation was filed and counterclaims were advanced. The litigation between 73, Inc., and Byte Publications, Inc., did not involve the ownership of Green Publications, Inc., Byte Publications, Inc., or *Byte* magazine.

"Mr. Green specifically acknowledges that neither Mrs. Williamson nor Charles Leahy, Esquire, engaged in or promoted any unlawful conspiracies or conduct in connection with the ownership of Green Publishing, Inc., or *Byte* magazine. For her part, Mrs. Williamson expressly acknowledges that Mr. Green did not engage in or promote any unlawful conspiracies or conduct in connection with the ownership of Green Publishing, Inc., or *Byte* magazine.

"Mr. Green and Mrs. Williamson further agree to refrain from any future public comment regarding either party's ethics or morality in connection with the circumstances pertaining to *Byte* magazine from 1975 until its acquisition by McGraw-Hill Corporation.

"Without any acknowledgment by either party of the status of either party as a 'founder' of *Byte* magazine, each party expressly agrees to forbear from any litigation against one another or any entity owned by or controlled by either party over the limited issue of 'founder' status. The parties reserve their respective rights to litigate any future statements by either of them concerning *Byte* magazine which are broader than the claimed status of either as a 'founder' of *Byte* magazine."

FOLIO: regrets any damage that may have been caused Mrs. Williamson.☐

PIB revenues up 19.9%

February advertising revenues were up 19.9 percent from a year ago for the approximately 156 titles tracked by the Publishers Information Bureau (PIB). The total, $486.5 million, is a record for the month.

Ad pages for February were up 10.3 percent, to 13,772.10.

The increases are due, in part, to the fact that five Mondays fell in February, giving PIB more weekly titles to measure, says Robert Farley, PIB president.

Some of the top categories were automotive (up 25.4 percent), travel (up 23.7 percent) and apparel and footwear (up 12.4 percent).

Edward Sorel. Feiffer said it was wrong to repress a brilliant artist. Lear thanked the staff for its support. Sorel insisted he isn't sexist, stating that he quit working for *Penthouse* for $2,000 a cartoon and started working for *The Nation* for $125 after his daughter raised his consciousness. "Few have paid so high a price in support of feminism," he says.

Sorel's intent, he claims, was to point out hypocrisy. "Ms. Lear is not using her millions to help other women, as she professes, but to buy herself instant celebrity," he asserts.

The aftermath: "There are no hard feelings on the staff now," says Lingeman. "Nobody quit over this, although there were some threats. We're able to have political differences and still work together, but it does put a strain on you."—*B.L.*

73% of monthlies delivered late

Late delivery of monthlies improved three percentage points during the last quarter of 1987, but still proved that nearly three-quarters of monthly publications are not delivered within Postal Service standards. Of the 22 cities highlighted here, service from Milwaukee is still the poorest, with 96 percent of monthlies delivered late; in the previous quarter, the city had a 100 percent late score. New York is second to last, with an 85 percent late tab. Phoenix still holds the number one spot, delivering 75 percent of monthlies on time or better. Minneapolis and Seattle deliver almost 60 percent of monthlies on time or better.

Publications delivery box score: Monthly second class publications, October 1-December 31, 1987

City/Zip Code	Better than USPS standard	Service standard	1-6 days late	Later
Composite average*	9 %	18 %	68 %	5 %
Boston (021)	20	31	41	8
New York (100)	3	12	74	11
Buffalo (142)	0	29	71	0
Pittsburgh (152)	1	22	70	7
Philadelphia (191)	12	7	69	12
Washington, D.C. (200)	4	17	76	3
Atlanta (303)	12	8	77	3
Miami (331)	26	27	43	4
Memphis (381)	0	10	69	21
Cincinnati (452)	5	20	70	5
Detroit (482)	8	4	76	12
Milwaukee (532)	0	4	96	0
Minneapolis (554)	25	33	38	4
Chicago (606)	3	15	80	2
New Orleans (701)	18	3	79	0
Dallas (750)	0	13	87	0
Houston (770)	7	21	72	0
Denver (802)	14	25	57	4
Phoenix (850)	50	25	25	0
Los Angeles (900)	0	14	74	12
San Francisco (941)	22	32	42	4
Seattle (981)	34	22	33	11

*Includes other U.S. cities and SCFs not listed
Source: Red Tag News Publications Association, Inc.

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Delivery late for more than half of weeklies

Fifty-two percent of weekly publications were delivered late during the last quarter of 1987—just a slight improvement over the 54 percent late delivery score registered for the third quarter. The best marks once again belong to San Francisco, which delivered 64 percent of weeklies on time and had only 16 percent arriving later than one day. Seattle also did well, with 63 percent on-time delivery. Conversely, New Orleans delivered 81 percent of weeklies one day late or later, and Philadelphia was in second to last place with a 74 percent late record.

Publications delivery box score: Weekly second class publications, October 1-December 31, 1987

City/Zip Code	On time	1 day late	Later
Composite average*	48 %	27 %	25 %
Boston (021)	44	31	25
New York (100)	49	32	19
Buffalo (142)	55	26	19
Pittsburgh (152)	41	33	26
Washington, D.C. (200)	52	24	24
Atlanta (303)	52	29	19
Miami (331)	49	29	22
Memphis (381)	41	33	26
Cincinnati (452)	39	35	26
Detroit (482)	61	25	14
Milwaukee (532)	57	23	20
Minneapolis (554)	60	23	17
Chicago (606)	49	24	27
New Orleans (701)	19	22	59
Dallas (752)	46	29	25
Houston (770)	52	29	19
Denver (802)	38	31	31
Phoenix (850)	37	29	34
Los Angeles (900)	56	22	22
San Francisco (941)	64	20	16
Seattle (981)	63	20	17

*Includes other U.S. cities and SCFs not listed
Source: Red Tag News Publications Association, Inc.

DMA pushes for private delivery of third class mail

Now that the cost of mailing a subscription offer has shot up an average 25 percent, the Direct Marketing Association (DMA) is trying to bring some relief by pushing for private delivery of third class mail.

The DMA Government Affairs Committee is working out third class alternative delivery proposals with former Meredith Corporation executive Robert Inhofe, who led the second class private delivery effort in the late 1970s. Proposals were slated to be presented to the Postal Service in late April.

To set up third class private delivery, Inhofe says, it may be necessary to repeal or modify the private express statutes that give the Postal Service a monopoly on it. The DMA is also seriously considering a 3/4-cent stamp for use on pieces delivered by private deliv-

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company brings to such groups all publications available in the field, and hires a professional moderator to solicit opinions on the magazines from attendees. One such session, he says, caused his company to switch a publication from biweekly to weekly frequency.

Lebhar-Friedman also requires writers from each publication to spend three days annually interviewing people at a major company in the magazine's industry. The editors then file a report on the company—not for publication, but to disseminate information within the publishing firm.

Such information is also used to find out where the industry is growing. With this knowledge, managers construct an action plan for each magazine: One magazine, for example, may feel that industry growth in a certain area of the country may warrant opening a bureau there.

Editors can also provide a certain amount of sales support for the publisher—without compromising editorial, Mahler adds. Occasionally, his company's editors meet with sales staff, or even advertisers. "The editor knows the mission of the magazine, and can speak eloquently about what the magazine can accomplish." It's a mistake, however, for editors to carry a rate card or promise a story, he says.

"The editorial calendar provides the greatest amount of interface with editorial and sales," he notes. "But anything on the calendar should *first* be reader-driven, and second, be sales-driven." He suggests that editors limit the number of preprinted articles or preplanned stories on the calendar in order to build a few surprises and timeliness into the magazine.☐

Consumer magazines peak

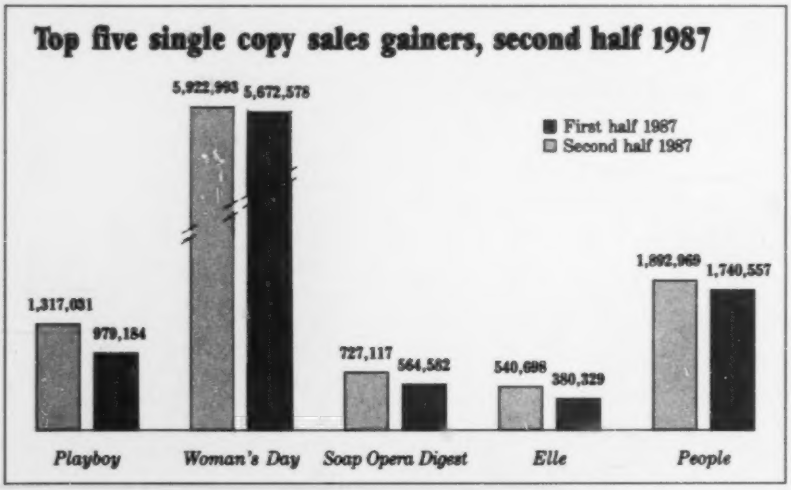
(CONTINUED FROM PAGE 29)

tion sales over the same period a year earlier, but a 4.1 percent decline in single copy sales.

Modern Maturity knocked *Reader's Digest* out of its accustomed second-place slot, reporting a total 16,734,801 circulation, all subscription, for the six-month period. Third-place *Reader's Digest* reported a total of 16,566,659, a 0.2 percent decline from the same period a year ago. Rounding out the top five are *National Geographic* (10,498,594) and *Better Homes and Gardens* (8,012,659).

Playboy gained the most in single copy unit sales—34.5 percent—thanks to its Jessica Hahn feature. That issue sold 2.6 million copies, more than twice as many as other *Playboy* issues. According to Richard Smith, circulation director, the magazine also gained back approximately 20 percent of the retail outlets that had dropped the title after the Meese Commission released its report on pornography in 1986. (Competitor *Penthouse* was down slightly in overall circulation.)

Woman's Day was in the number-two spot for single copy sales, gaining



***A Jessica Hahn cover story**, along with friendlier relations with retailers, put* Playboy *in the lead. Other titles in the top 10 are* Redbook, Woman's World, Vanity Fair, Country Living *and* Cosmopolitan.

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250,415 in weekly sales. Other top 10 unit gainers were *Elle, People, Woman's World* and *Vanity Fair*.

The biggest jump in total circulation was made by *Game & Fish*, which leaped 70.5 percent. Others in the top 10 in circulation growth include *European Travel & Life, Runner's World, Cook's, Entrepreneur* and *Vanity Fair*.

Newsweeklies stagnate

The newsweeklies, all of which gained circulation in the first half of the year, were stagnant in the second half. Single copy sales, however, were markedly up for *Time* (10.3 percent) and *U.S. News & World Report* (12.4 percent).

The Seven Sisters, as usual, reported mixed results. Most notable was *Family Circle*'s 100 percent gain in subscriptions, reflecting the title's effort to expand that base, notes Foster. Although the magazine's overall circulation was down 7.8 percent, to 5,773,484, subscriptions accounted for 9 percent of that total.

Woman's Day was also noticeably going after subscribers, posting a 37.7 percent gain. Overall circulation was up by about 5 percent, while single copy sales were up 4.4 percent.

Other modest circulation gainers were *Ladies' Home Journal, McCall's* and *Redbook*.

Among other women's titles, *Elle* was the clear leader, posting more than a 40 percent gain in overall circulation, as well as in subscription and single copy sales. *Working Woman*'s circulation was up 10.3 percent, with a 6.9 percent gain in subscription sales and a hefty 80.3 percent gain in single copy sales. *Savvy* leaped 16.7 percent in overall sales, but single copy sales sagged by 35.4 percent.

A new cover design helped *Ms.* increase single copy sales by 14.4 percent, but overall circulation was up by less than a full percentage point. Other titles that showed gains included *Working Mother, Harper's Bazaar, Modern Bride, New Woman, Self, W* and *Woman*. Overall circulation losers were *Vogue, Glamour* and *Mademoiselle*.

Largest percentage circulation gains, second half 1987

	Circulation	% increase
1. *Game & Fish Magazine*	411,612	77.1
2. *European Travel & Life*	221,685	70.5
3. *Teen Beat*	263,202	59.9
4. *Runner's World*	451,512	55.8
5. *Cook's*	201,343	46.2
6. *Entrepreneur*	193,904	45.9
7. *Golf Illustrated*	271,770	45.1
8. *Vanity Fair*	595,844	42.6
9. *Bird Talk*	123,134	42.4
10. *Elle*	851,152	41.7

With subscriptions up 87.5% and single copy sales up 60.4%, Game & Fish *became the big winner in overall circulation.*

Largest percentage circulation losses, second half 1987

	Circulation	% decline
1. *Private Clubs*	82,969	−53.2
2. *High Technology Business*	183,260	−36.8
3. *Star Hits*	71,353	−26.5
4. *Unique Homes*	66,720	−22.5
5. *Guns*	101,151	−22.4
6. *High Fidelity*	281,184	−20.5
7. *Cashflow*	7,742	−18.5
8. *Compute!'s Gazette*	225,460	−18.2
9. *Discover*	1,093,959	−17.7
10. *Good Food*	785,234	−17.5

Discover ***and*** **Good Food** *made gains last year by absorbing other magazines' subscription lists, but proved unable to hold on to some of those readers.*

Good news from Black Monday?

October's Black Monday was good news for the single copy sales of the business titles. *Inc.* gained 26.7 percent, *Business Week* jumped 29.5 percent, *Fortune* was up 17.4 percent, and *Harvard Business Review* posted a 16.2 percent increase.

Both *Money* and *Changing Times* were down slightly in overall circulation, while *Sylvia Porter's Personal Finance* was up 14.3 percent. *Venture* registered a 29.8 percent gain in overall sales, reflecting a 33 percent gain in subscription sales, but a 16.1 percent loss in the single copy area.

The Economist, the British magazine that launched a major effort in 1986 to increase its U.S. sales, edged into double digits in subscription and single copy gains, for an 11.3 percent overall circulation rise.

Sports titles showing healthy gains included *Inside Sports* (up 15.2 percent overall) and *Sports Illustrated* (up 8.8 percent). *Sport* was down slightly.

Among city and regional titles, *Alaska* increased overall circulation 37 percent, despite a single copy drop of 16.7 percent. *Manhattan,inc.* posted a 27.4 percent increase overall, reflecting a whopping 182.2 percent gain in single copy sales and an 8 percent increase in subscriptions.

The Texas publishing climate may be improving, with *Texas Monthly* up 18.1 percent overall, and *D*, a Dallas magazine, up 15 percent. Both titles gained in single copy and subscription sales.

In health and fitness, *American Health* gained 15.3 percent overall, while *Health* was flat in circulation. *Prevention* was up 2 percent in overall circulation, reflecting a 31.2 percent rise in single copy sales. Strong showings were also posted by *Runner's World* (up 55.8 percent), *Golf Illustrated* (up 45.1 percent), *Cyclist* (up 20.7 percent) and *Shape* (up 14.1 percent).

Strong general interest titles included *Vanity Fair*, up 42.6 percent overall, with a 31.7 percent gain in subscriptions and a 72.9 percent jump in single copy sales. *American Heritage* was up 27.9 percent in overall circulation, but dipped in single copy sales. *The Atlantic* and *Harper's* were up only slightly in overall circulation.

Among shelter titles, *The Old-House Journal* registered a 16.2 percent overall circulation climb. *House & Garden* (recently dubbed *HG*) was up 13.9 percent overall, while *Home* increased by 12.4 percent. Both showed gains in subscriptions and single copies.

Metropolitan Home dipped slightly overall by 1.9 percent, although the magazine gained 24.3 percent in single copy sales. *1,001 Home Ideas* was down by 1 percent, reflecting a 12.1 percent decline in single copy sales and a 0.6 percent drop in subscriptions.—*J.A.*

Resources

A free 24-page booklet of telemarketing tips, **"17 Costly 'Little' Telemarketing Mistakes and How to Avoid Them,"** outlines some of the errors that circulation managers can learn to avoid. Write: Mardex Inc., Suite 530, 150 Fifth Ave., New York, N.Y. 10011. Telephone: 212-675-1008.

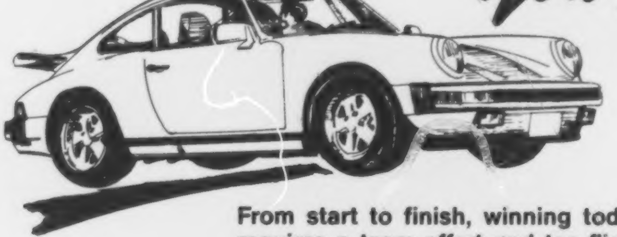
The 1988 ***Computer Graphics World Buyers Guide*** contains information on more than 2,300 graphics products from over 1,000 graphics vendors worldwide. Company listings are alphabetized by company name and include address, telephone number, telex/fax, key personnel, year founded, markets served and a description of products and services offered. The guide is indexed by application and product type. Price: $80. Write: Patsy Russo, Pennwell Books, P. O. Box 21288, Tulsa, Okla. 74121. Telephone: 918-831-9421.

Durbin Associates' book, ***1988 Phototypesetter Comparison Charts,*** supplies information about 53 phototypesetters currently sold in the United States by 11 vendors, including keyboard-controlled (direct entry), CRT (third generation) and laser (fourth generation) typesetters. Tutorials, vendor names and addresses, and seven 11" x 17" fold-out comparison charts displaying more than 30 significant typesetter details are also provided. Price: $25. Write: Durbin Associates, 3711 Southwood Dr., Easton, Pa. 18042. Telephone: 215-252-6331.

LOOKING GOOD IN PRINT
A Guide to Basic Design for Desktop Publishing

Looking Good in Print: A Guide to Basic Design for Desktop Publishing addresses basic techniques for producing effective, graphically appealing documents, including newsletters, correspondence, brochures, print advertising, flyers and technical documentation. In addition to covering mechanics and offering tips, the 210-page, soft-cover, illustrated book features 14 design make overs with step-by-step examples of improved design. Price: $23.95. Write: Ventana Press, P. O. Box 2468, Chapel Hill, N.C. 27515. Telephone: 919-490-0062.

Top Management Guide for Printers & Publishers, a 27-chapter reference for graphic arts managers available from the Association of Graphic Arts Consultants (AGAC), is a collection of ideas, formulas, charts,



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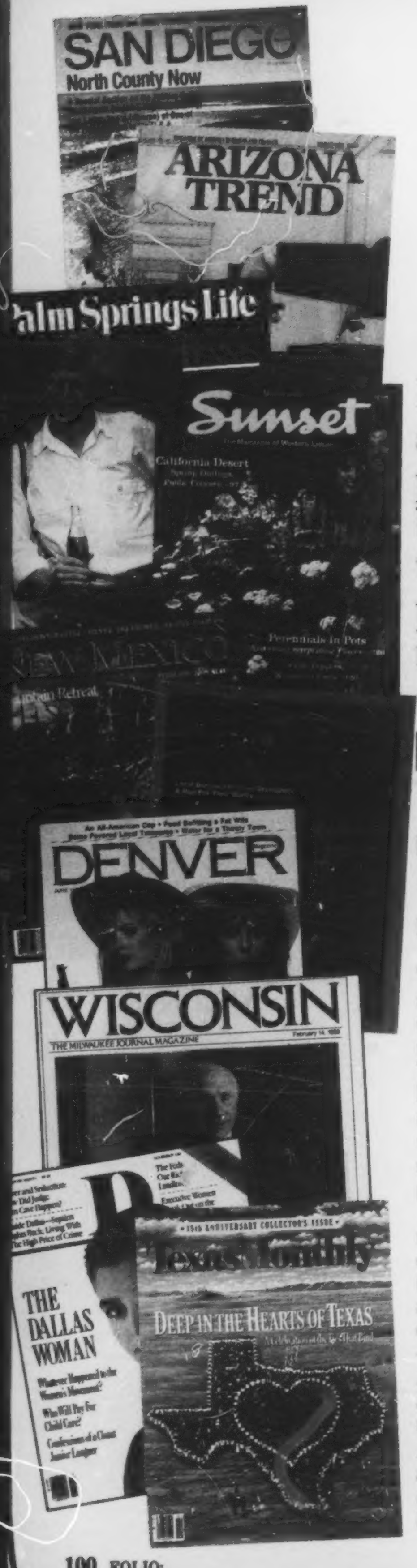

Regional magazines:

Regional consumer and business publications are bobbing and weaving to maintain their positions in the marketplace. Which ones will make it?

Regional consumer titles: How healthy are they?

BY MICHAEL COUZENS

"Your location" magazines—the city and regional titles that propagated like rabbits in this decade—have become a mature category of niche publications. The niche is at or passing its zenith. Does this mean that some of these magazines are approaching a decline? Will we see fewer titles offering a leaner, slightly different, yet still desirable product?

Magazines serving a smaller community may already be in financial difficulty. If the local title is highly refined, as are *Location Business, Location Style,* or *Location Home and Garden,* it may be resting on an extremely shaky foundation.

These conclusions emerged from discussions with publishers, editors and analysts. Optimistically the experts note that this year, demand for national and local advertising is up, boosted by the Olympics and paid electioneering. Magazines are benefiting from this tight market, but the experts believe the gain will be temporary, and that it cannot be expected to benefit every local magazine.

In Texas, where the economy soured, *Houston City, Texas Homes, Third Coast* (Austin city), and a handful of local business titles have all gone to the last roundup. Even the luminous *Texas Monthly* has had to execute a financial stutter-step or two. And Terry Murphy, former publisher of *D Magazine,* predicts that ad pages in Texas will have dropped from 9,000 in 1984 to 4,500 when the totals are in for 1988. "You can take those numbers to the bank," he declaims in Dallas talk.

The question in the minds of many "Your location" publishers is, Can Texas happen here? Recalling their own patches of hard times in recent years, Iowans, Manhattan stockbrokers and the residents of Silicon Valley in California are among those who know better than to imagine they live in a regional safe-haven economy.

Peter Craig, a publishing consultant who appraises and brokers magazines through his Los Angeles firm, states, "In a cluttered marketplace, there are too many books. There is bound to be a shakeout." Whit McDowell, executive director of the City and Regional Magazine Association (CRMA) in New York, is upbeat only by comparison. "*Houston City* folded because of the local economy. But CRMA has not lost a single member." The members, though, are some 45 of the sturdiest titles, and they are all required to have Audit Bureau of

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Michael Couzens, author of the consumer section, is a communications attorney practicing in San Francisco. Karlene Lukovitz, author of the business section, page 103, is a freelance writer. She was previously executive editor of FOLIO: *and editor of* Inside Print.

Shakeup and shakeout

Circulations (ABC) audits. Another 220 similar titles McDowell calls "little," and he sees dicey prospects for—using his fictitious example—*Bakersfield Lifestyle*.

Magazine markets in the "Your location" category are splintering at an alarming rate, with new titles addressing more and more narrow areas of interest, and focusing on more precise demographic targets—whether women, travelers, home owners, the active rich or the idle rich. Obviously, narrowing the audience from the start is risky, but the implications become harrowing when it is noticed that many leading publishers, owning the strongest titles in the category, are busy doing precisely the opposite, through mergers and acquisitions. This is not limited to *Texas Monthly* buying out *Houston City* or its mailing list. The premier firms, including owners of *Boston, Los Angeles, Texas Monthly* and a few others, have sought to align themselves into supergroups, or joint ventures, able to share overhead and to hustle national advertising accounts. If shakeout there shall be, the marginals will falter and fail, but the powerhouses will lose nothing, and could emerge as even hardier competitors.

Proliferation despite the economics

Mike Levy, who founded *Texas Monthly* 15 years ago, says, "I get the calls all the time. Someone calls and says, 'I want to be a media baron, a publishing magnate. What do I need to know to get started with *Des Moines Magazine*?' Big problem is, the fixed costs—salaries, staff and rent—are the same whether it's our circulation of 295,000 or a circulation of 50,000. The costs can't be spread on too small a base."

Apparently, when Levy talks, no one listens. New titles are cascading into public view. Everyone has a favorite example of a title that simply does not compute. For Terry Murphy it is *Rochester Woman*. "Why on earth discard half your potential readers?"

Peter Craig marvels that anyone would invest $4 million in *San Diego Home and Garden* for the purpose of butting heads with the redoubtable Ed and Gloria Self, whose *San Diego* was the first and remains one of most successful city titles. (Even North San Diego County now sports its own title, *La Jolla*.) Consultant Jim Kobak thinks some cities simply ought not to have a city magazine: *Wichita*.

Philip Merrill, publisher of *The Washingtonian* and *Baltimore*, ticks off the names of competitors in and around the Capital Beltway: *Regardie's, Dossier, The Washington Post Magazine, Dominion, Apartment Life,* and at least 10 other publications having a little niche on the market.

> "Magazines serving a smaller community may already be finding themselves in financial difficulty."
>
> [illegible]

At some point, we lose sight of the "Your location" titles, and see an even broader arena. For example, Merrill states that he competes to some degree with *Playbill, Promenade* and *Guest Informant*.

What is a regional?

A stratum of magazine publishing, referred to in this article as "Your location" titles, is defined by CRMA's McDowell as "geographic specialty magazines." Merely by convention,

DETROIT MONTHLY
Louisville
TIMES
ARKANSAS
Southern Living
Soups With a Mexican Flavor
Theater Takes Root in the South
Flowers That Bloom Early
Durable Flexible Family Rooms
CRAIN'S NEW YORK BUSINESS
NEW ENGLAND MONTHLY
Pittsburgh Business Times
Enterprise Awards
WASHINGTONIAN
Baltimore Made Easy

Circulation performance of consumer regionals

Circulation gainers

(5% or more gain in total circulation 1984-1987)

	June 1984	June 1987	Gain	
1. Indianapolis Monthly	25,314	41,927	+16,613	(+65.6%)
2. Detroit Monthly	37,480	57,347	19,867	(53.0)
3. Southern Accents	171,278	244,638	73,360	(42.8)
4. Alaska	150,364	212,888	62,524	(41.6)
5. Connecticut Magazine	68,644	93,087	24,443	(35.6)
6. Florida Sportsman	74,381	100,353	25,972	(34.9)
7. California	264,596	356,775	92,179	(34.8)
8. Pacific Northwest	55,789	70,511	14,722	(26.4)
9. Texas Fisherman	52,085	65,396	13,311	(25.6)
10. Palm Beach Life	16,010	19,971	3,961	(24.7)
11. San Francisco Focus	170,612	207,542	36,930	(21.6)
12. Ohio Magazine	87,215	104,103	16,888	(19.4)

Circulation losers

(5% or more decline in total circulation 1984-1987)

1. Colorado Homes & Lifestyles	25,291	17,014	– 8,277	(–32.7%)
2. Louisiana Life	49,067	33,064	16,003	(32.6)
3. St. Louis Magazine	30,832	23,925	6,907	(22.4)
4. Dallas Cowboy's Official Weekly	81,799	64,035	17,764	(21.7)
5. Lakeland Boating	44,193	35,258	8,935	(20.2)
6. Oklahoma Home & Lifestyle	9,242	8,006	1,236	(13.4)
7. Honolulu	35,495	31,956	3,539	(10.0)
8. Oregon	27,625	25,401	2,224	(8.1)
9. Chicago	221,728	204,072	17,656	(8.0)
10. Fins and Feathers	418,359	387,148	31,211	(7.5)
11. Western Outdoors	150,887	140,115	10,722	(7.1)
12. San Diego Home/Garden	33,465	31,209	2,256	(6.7)

Source: Capell's Circulation Report

Playbill is not one of these, and neither is the in-flight genre. The Association reflects an industry consensus in not including such regional bywords as *Sunset*, *Southern Living*, and *Yankee*. The difference between these and *New England Monthly*, *California* or *Texas Monthly* is not always visible to the naked eye, and all these titles are active competitors for certain types of advertising. Mike Levy brushes off *Sunset* as a "shelter book," a label that resounds a bit narrowly for that revered institution, but it seems on target for the proliferating local *Home and Garden* knockoffs. "They are offshoots of national shelter books with regional skews," says Levy.

David Verklin, media director for Hal Riney and Partners, San Francisco, draws the distinctions quite differently. He combines *Texas Monthly* and *Sunset* in the same category of strong regional titles that can pull in national advertisers. He finds a second grouping in city magazines that highlight utility to the readers with events, restaurant listings, and strong editorial—and local advertisers. Finally, there are atmospheric titles such as *Washington Magazine* (state in Pacific Northwest) that deliver a soft, pictorial sense of a region with a travel emphasis underscored by flawless production. Advertising in this category goes from none (*Arizona Highways*) to travel and regional. "You've got to be in one of these categories," says Verklin.

To illustrate, he singles out one that he does not feel matches the useful categories. "What is *California* magazine? As an advertising vehicle, the title is firmly in the grip of national accounts, with only a few local accounts. As a service to readers, its past financial problems, from the inception as *New West*—a Pacific Coast echo of *New York*—were owing to the inability to find a single editorial concept in service to the largest state, its diverse cities, peoples and tastes.

"The remorseless arithmetic of market size can be dodged, to a point, if a magazine sets its sights on unusual concentrations of moneyed persons."

Is the market big enough?

To get advertisers, your readers must be in the top 10 percent income group, says Merrill. "Our magazines are for people who wear furs. This is how you get Lion d'Or [a high-tab venue for lobbyists' lunches] to commit for advertising. Ninety percent of their customers read our magazine."

The smaller the market, the smaller the number of affluent readers and the fewer firms geared to courting their favor. Merrill's locale is illustrative, comparing Washington, D.C. (Census Bureau's ninth largest metro area in 1984, with 3.43 million people), and Baltimore (the 16th metro in 1984, with 2.25 million). Merrill says, "There are three places that repair a patio in Baltimore. There are 20 in Washington." In turn, "Baltimore will be many times Syracuse," the latter being metro rank number 54, with 0.65 million population. "A city magazine," he concludes, "will work in Syracuse only as a Mom and Pop operation."

The remorseless arithmetic of market size can be dodged, to a point, if a magazine sets its sights on unusual concentrations of moneyed persons, hoping certain advertisers will pay a premium. In California, *Santa Barbara* is a theory in search of a mother lode of hillside-dwelling rich folks, but the whole county of Santa Barbara may not have 300,000 residents. Even higher up the upscale are *Palm Springs Life*; perhaps *Beverly Hills* (a title honoring a small municipality); and *Avenue* in the East (which pays homage to a thoroughfare).

The owners of such titles rarely invite ABC auditors to peruse their circulation bases. Instead, they commission analyses of their readerships to demonstrate the unusual ability of their audience to increase the velocity of money. Probably these demographic studies go unread—at least for titles such as *Palm Springs Life*, which convey all necessary meaning by themselves.

But the blunt fact is, magazines that serve small towns are vulnerable. A circulation of 15,000 in four color is anemic. If even that is unverified, no sooner will the national economy tilt into a bad quarter than sharp-tongued advertisers will begin to mutter about real circulation being perhaps even less. Then those fickle, fur-swathed rich folk may alter their patterns of extravagance, and the local publisher will have run out of room.

Ed Self recalls an industry panel where he debated Mike Levy on the question of whether a good city or regional magazine could be published if circulation was stuck below 100,000. Levy was skeptical, but Self proved it possible in San Diego, then with about 50,000 paid, now 66,000. But what happens when a mere 50,000 seems out of reach? Perhaps 200 "Your location" titles are poised to reveal this, one by one.

Consolidation: One answer

Mike Levy's purchase of *California* magazine probably came a few years too soon, and left the well-intending parent with a dent in its wallet. More recently, *Texas Monthly* has preferred to stick with its troubled neighborhood, secure in the knowledge that oil and gas will be worth something one day.

Three other consolidations, taken together, are enough to indicate a trend. The impetus comes from the best-run and probably most profitable titles. Herb Lipson's Metrocorp, publisher of *Philadelphia*, acquired *Boston*, and after several years of fussing with its editorial content turned it into a monster success. Ron Javers, vice president and editor in chief of Metrocorp, claims that *Boston* is one of the most profitable magazines in the country. "Not city magazines. *Magazines*." In New York, Metrocorp has launched *Manhattan,inc.*, targeting a hyper-affluent stratum at the top of the usual city-title targeted elite. Editorial is first rate, and economic performance is inconclusive. Last year, Metrocorp added another solid title, *Atlanta*.

According to Javers, a "Metro Power Group" will be sold to national and regional buyers who want to add these types of readers in the East Coast. Editorial will be done locally, but will pool a Washington bureau, fashion and certain travel.

In the West, Self doesn't quit. He adds *San Diego* and *San Francisco Focus* to Capital Cities/ABC's prosperous *Los Angeles* to form a California City Group. Each magazine offers a 5 percent discount for a group buy. The group concept has gained its members a solid entree to the wonderful world of national advertising.

The third consolidation, by an owner named Norman B. Tomlinson Jr., may be the most striking because it does not hinge on an assumption of regional convergence, the way Herb Lipson's or Cap Cities' projects do. Tomlinson had a group of five magazines that completely covered Florida, and the homes and gardens of that state. He bought the lucrative *New Jersey Monthly* and then *Pacific Northwest*. If his project shows that magazines reap advantages under a common roof, many others will follow. Already it is clear that groups are easier for an agency to buy, and afterward to monitor.

For local markets, outside of the top 10 or 12, as soon as we feel the next cold snap in the leading indicators, we may be witness to a crack developing, right through the middle of the magazine advertising marketplace. On one side, strong titles will grow even more by feeding on generous portions of national advertising. In general, small titles will swan dive, but a fraction will continue, having built reserves of reader loyalty and local advertiser service.

The most important fixed cost in a magazine is the struggle to compete for people's time. In that struggle, editorial content—design and writing and photography—will make the difference.☐

Business regionals: More power than profit

BY KARLENE LUKOVITZ

Ten years ago, the publishing and investment communities watched with interest and some skepticism as publications devoted exclusively to regional business began emerging in markets as diverse as Chicago and Florida. Today, there are more than 250 such publications in North America—and the skeptics are still watching.

The category is a mixed bag of some very profitable publications and many marginally profitable or downright unprofitable publications. At the top of the heap are notable successes such as *Crain's Chicago Business*, *Florida Trend* and *Corporate Report Minnesota*, all of which are relatively mature properties; at the bottom are a much larger number of struggling publications that may or may not survive their infancy and adolescence.

Increased interest in in-depth local business news, which traditionally had been neglected by community newspapers, coupled with extremely upscale reader demographics, spurred the rapid growth of regional business publications. In 1979, when the Association of Area Business Publications (AABP) was founded, there were 44 members with a total circulation of

City/state/regional consumer magazine ad page gains and losses

June 1984 June 1987

	1,000+ advertising pages 1984-1987 1984	1987	Gain/loss
1. New York	2,955	3,135	+180 (+ 6.1%)
2. Boston	1,831	2,025	+194 (+10.6)
3. The Washingtonian	1,866	1,923	+ 57 (+ 3.1)
4. Philadelphia	1,636	1,820	+184 (+11.2)
5. Los Angeles	2,508	1,800*	−708 (−28.2)
6. San Diego	1,867	1,735	−132 (− 7.0)
7. Sunset	1,684	1,476	−208 (−12.4)
8. Southern Living	1,625	1,452	−173 (−10.6)
9. Florida Sportsman	998	1,390	+392 (+39.3)
10. D Magazine	1,649	1,360	−289 (−17.5)
11. Chicago	1,763	1,323	−440 (−25.0)
12. Mpls. St. Paul	1,172	1,287	+115 (+ 9.8)
13. Texas Monthly	1,657	1,271	−386 (−23.3)
14. San Francisco Focus	831	1,249	+418 (+50.3)
15. Salt Water Sportsman	833	1,188	+355 (+42.6)
16. New Jersey Monthly	669	1,140	+471 (+70.4)
17. Detroit Monthly	866	1,135	+269 (+31.1)
18. Southwest Art	1,045	1,013	− 32 (− 3.1)
Total	27,455	27,722	+267 (+ 1.0%)

Source: Capell's Circulation Report, based on information from *Advertising Age* and Media Industry Newsletter. The analysis covers all U.S. city-state-regional consumer magazines that were members of ABC for each of the last four years (June 1984-June 1987).
* CCR estimate

687,000; today there are 97 members with total circulation of 2.4 million. (Fifty-four of these publications are ABC-audited and can be assumed to be between 50 percent and 100 percent paid circulation; the rest are BPA audited and largely nonpaid.) But circ growth for the group as a whole has slowed as major markets have become saturated with these publications.

Some of the business regionals have impressive advertising volume. Of 37 tracked by *Advertising Age*, 14 carried over 1,000 ad pages each in 1987; half of those had over 1,500 pages. Another dozen carried between 800 and 1,000 pages.

Total pages for the tracked publications was 36,579; however, this represented only a 3.5 percent increase over 1986. In comparison, the 14 national business publications tracked were up by 11.2 percent, to 20,379 pages for the year. (In 1986, the regionals had outstripped nationals in page growth by a considerable margin.) There are no page statistics available to help gauge the advertising strength or weakness of the more than 100 other business regionals around the country.

Number of pages, of course, is only half the picture; rates are the other. Among AABP members, four-color, one-time rates for a 7" x 10" ad range from $863 (*Arizona Business Gazette*) to $10,395 (*California Business*); for a third of members, the rate falls somewhere between $2,000 and $3,000. "I'd say that in all but the top markets there isn't enough of a market to justify the ad rates you'd need to make a real profit," says Metrocorp's Lipson.

According to a 1987 Erdos & Morgan study of 52 AABP publications, advertisers are getting an impressive audience for their dollars. On average, readers of these publications have a net worth of $807,635 and a household income of $106,113. Sixty-three percent are in top management. All these statistics compare favorably with those of major national business publications. And, as AABP is fond of pointing out, less than half of local business publication readers subscribe to *The Wall Street Journal*, and only one in five subscribes to *Forbes* or *Fortune*. Overall, there's only a 50/50 chance that the local business publication reader reads any national business publication, according to AABP.

In the past year, the aura of the category as a whole has suffered from publicity surrounding the financial troubles of American City Business Journals, Inc.(ACBJ), which has been by far the largest entity in the world of business regionals. Through aggressive acquisitions, ACBJ grew from one tabloid to a chain of 35 (aggregate circulation: 620,606) between 1982 and 1987. In 1986, the publicly owned company bought more than two dozen papers, including 10 previously owned by Scripps Howard Business Publications. It spent large sums not only on acquisitions, but on forming a network, along with 18 other regionals, to go after national advertising (one of three such networks now in existence); on trying to convert all of its nonpaid properties to paid circulation; and on improving the quality of the papers themselves.

But, after seeing its reputation and stock price soar, the company reported hefty losses in 1987—$12 million through the first three quarters alone on revenues of $80 million. Last fall, it announced plans to sell off (but maintain management of) two unprofitable publications in the extremely competitive California market, *Los Angeles Business Journal* and *San Diego Business Journal*. The buyers—"certain private investors"—agreed to give ACBJ 50 percent of net operating income or proceeds of a subsequent sale and carry all operating losses themselves, according to American City's president, William Worley.

For a time, the company itself was on the block, but its stock price, which had jumped to over $40 per share amid takeover rumors, dropped to about $15 per share after the stock market crash last October. Since then, ACBJ has announced that it will not sell the company, and will instead streamline operations and reduce debt, in large part through selling off unprofitable publications. As of February, eight such sales were in the works. In that month, the company also sold two profitable publications, in Sacramento and San Diego, and claimed to be considering the sale of two more, *Indianapolis Business Journal* and *Pittsburgh Business Times-Journal*, for $17 million.

Only 10 to 12 of the company's stable of 36 publications were not profitable, according to industry sources. But Worley maintains that, with the selloffs, the newly conservative management approach, and the imminent fruition of those publication-improvement investments, ACBJ will end up this year with 21—"or maybe 22"— wholly owned, profitable business regionals, plus three or four partially owned, unprofitable ones. Most important, at least for stockholders, Worley claims that the publication sales will leave the company debt free, "with $10 million

Philadelphia
DON'T GET MARRIED UNTIL Y
The Myths That Could Wreck Your Marriage
Staying Hitched: Four Couples' Stories
44 Fabulous Places to Hold a Wedding
Secrets of the Caterers, Florists, Bandleaders,
THE KILLER DILLERS
THE REAL ROBERT PRECHTER • KIDS WHO KILL PARENTS
BOLD SPRING FASHIONS • NEW HOPE FOR THE BRAVES
ATLANTA
WINNERS: 25 WOMEN WHO BEAT THE ODDS
Boston
The Quality of Life in Our Towns

The trend toward consolidation is being spurred by Herb Lipson's success with Metrocorp's **Philadelphia, Boston, Manhattan,inc.** ***and*** **Atlanta.**

to $12 million in cash left over."

The Los Angeles Business Journal

INDUSTRY REPORT Banking & Finance

100,000 L.A. patients face doctor shuffle

For L.A.'s foreign correspondents, Hollywood is just part of the puzzle

Zev still prefers to ride the fence than make a move in mayoral run

JOURNAL PROFILE

San Diego Business Journal

Serving San Diego County Business

rents could skyrocket

Koll plans to develop Tijuana maquila park

CALIFORNIA BUSINESS

HOW DID YOU RATE?

HOW WILL YOU FARE IN '88?

LA BUSINESS

OTIS

Will A Reclusive Chandler Stay Out Of Print?

***Saturated market:** Just four of the numerous regional business publications now serving the California market—one of the most competitive and potentially lucrative in the country.* LA Business *is a new entry from the publisher of* California Business.

Whatever the outcome of American City's problems, some regional publishers contend that its situation should not be considered representative of either the current or future health of business regionals as a whole. "American City's principals saw a rapidly expanding field and were sharp enough to consolidate a large part of the market," asserts a leading figure in the local business publishing industry. "But they built to sell, not to manage." (Worley contends that he and partner Michael Russell "had no preconceived notions" in putting the chain together and had not anticipated selling off parts of it.)

Publishers point out that nearly all business regionals originated as Mom and Pop operations and that, although there may be some three to four publication chains that are prospering, this publication genre simply may not lend itself to a corporate mentality.

"Business regionals are much better suited to an entrepreneurial mentality," says Robert Kehoe, president of Publishers Resource Organization, consultants specializing in investment banking, mergers and acquisitions of secondary print media, and former COO of *Florida Trend*. "Throwing massive amounts of money at what are essentially entrepreneurial firms, especially without tracking every dollar, is not a workable approach. With these magazines, the key is having someone locally who really cares, who is involved in the region and in serving the needs of its business community."

Worley says he agrees with this assessment, but adds that a chain doesn't have to have a corporate mentality. "We let our publishers have lots of leeway and independence," he says.

"Chains have the numbers and the demographics at their finger tips to give to advertisers," says *Regardie's* publisher Michael DeSimone. "They have the economies of scale for production and other operational areas. But you also have to make it work on an editorial and advertising level. I think American Cities can be successful if they dig into their souls."

One publisher notes that Media General, which started *Virginia Business* "as a test in its own backyard," has since looked into buying or starting other local business publications, but has found that the profit would not be significant enough for a company of its size. "For a medium-size media company like Crain, though, regionals make a lot of sense," he says.

Kehoe says there are two ways to make money on business regionals. "You can develop them as assets to be sold off, or you can get a good, disciplined publisher in a good market with a good staff and you can operate and make money over the long term. If you pull the right elements together, you can develop a cash cow." All other factors being equal, the crucial difference between a profitable and unprofitable business regional is the disciplined management, he stresses.

"Throwing massive amounts of money at what are essentially entrepreneurial firms is not a workable approach."

[illegible]

Those other factors are hardly incidental, however. Assessing the potential of a given market—its business population and demographics, competitive environment, human resources and a host of other factors—is complex and potentially treacherous. Competition is key: Witness the struggle now taking place among business regionals in the saturated but oh-so-promising California market. Then there's New York City, which would seem to be the ultimate market for business regionals. Yet neither the critically acclaimed *Manhattan,inc.* nor *Crain's New York Business* is profitable, and at least two earlier New York City business regionals bit the dust.

"The New York scene is hard on business magazines," says Hershel Sarbin, a consultant who specializes in publishing mergers and acquisitions. "Local business magazines of a general nature have to contend with the new, more specialized publications that cover only local real estate, or local investment, or other businesses, not to mention the national business magazines, because so much national business takes place in New York. As either a reader or advertiser, I'm flooded with options."

Lipson, who says he'd anticipated seeing *Manhattan,inc.* break even in 1987, until the stock market crash hit, sees no threat posed for his publication by narrower business papers. "But we're not a newspaper, we're a magazine," he says. "Our editorial scope is much broader. We cover people on the world stage who have relevance to the New York scene. Most New York business people operate nationally or internationally. Twenty-five percent of our circulation is outside of New York; California is our second-best circulation area."

In general, according to Sarbin, it's tough to know from market to market whether there is the right mix for a regional business publication. "If you want paid circulation, it may be hard to maintain a sufficient level of renewals, even in a major city," he says. "And the gross dollars you can charge per page in a city market are limited."

"Having sufficient penetration of the market is important," says *Crain's Chicago Business* publisher Joe Cappo. "A 5,000 circulation might be fine for Baton Rouge, but it's not good enough for Philadelphia.

"It's yet to be determined whether smaller markets can support regional business publications," Cappo adds. "The number of regionals has increased dramatically, and they're getting into smaller and smaller markets." He notes that some of these publications do have the advantage of being started by companies that have already established a profitable flagship regional.

Cappo, DeSimone and others emphasize that even in a ripe market a magazine or tabloid must build a franchise with the reader before advertisers can be wooed. This means strong, honest reporting (the temptation to win advertisers over with local boosterism is strong); it also means a sophisticated look.

"These days, the marketplace demands a slick, sophisticated product right from the start, with demographic studies, auditing and all the rest," says the former owner of several regionals. "Start-ups today need a lot more capitalization than start-ups 10 years ago."

How many are profitable?

"By and large," says Cappo, "the ones that are profitable are the ones that are good editorial products."

One veteran of local business publishing estimates that perhaps only 20 percent of all business regionals are profitable; others contend that this paints too bleak a picture. "There are a lot of unprofitable ones, but 70 percent or 80 percent is probably way off base, based on my own knowledge of the category," says Cappo. "The industry isn't in trouble, but a lot of individual members are, because they aren't being run well."

"A number of the better managed ones make 30 percent to 38 percent pretax profit," says Kehoe, "and it's not difficult for a relatively well-managed one to make 20 percent. There are also poorly managed publications that lose a *lot* of money. But I don't believe that 80 percent are unprofitable."

Peter R. Kent, managing director of Henry Ansbacher, Inc., offers a less sanguine assessment. "In general, business regionals are a tough business in which to make a decent dollar. There aren't many out there that have a bottom line in excess of 10 percent of revenues. And there are very few that reach that level that aren't part of a larger organization like Crain's." Kent says it would be particularly difficult for any entrepreneur to get seed money for a business regional at this time, due to the negative American City publicity, although he adds that he thinks ACBJ's troubles may be being exaggerated.

"Advertisers who wouldn't think of using regionals five years ago are today doing so or seriously considering it."

[redacted]

"I think the bloom is off the rose," says Lipson, predicting an end to the gusher of business regional start-ups. "Most of these publications aren't very good, and I'd guess that most of them lose money, or barely make a living for someone."

Still, as several sources noted, most business regionals are less than five years old, and a publication of any kind rarely shows a profit in the first few years. *Crain's Chicago Business* became profitable in year four, according to Cappo, who asserts that Crain's Detroit and Cleveland business books are also in the black.

What's ahead

With the growth of mature business regionals leveling off, viable start-up markets dwindling, and competitive battles in major markets, the business regional category is in a period of shakeout similar to the one experienced by general, consumer-oriented city magazines.

In addition, the stock market crash will damage some business regionals, even though local real estate, office equipment, financial services and travel advertisers account for 80 percent to 90 percent of regionals' ad pages. "Since Black Monday, retailers have been pulling back right and left," says one major market publisher. But, says Ansbacher's Kent, "Because they don't have much national advertising, I don't think the stock market will much affect them, except the high fliers like American City—or those whose local economies have been hard-hit by the crash for some reason."

"With the economic crunch and intense competition from newspaper business sections and targeted editions of national business magazines, I'd be very, very careful about being enthusiastic about investing in a regional business magazine," says Sarbin. Meanwhile, a recent *Esquire* article predicted that "chichi local business magazines" will soon be swept away, along with yuppiedom, by a major recession.

But glib dismissals of this category seem premature. Cappo, who says that direct mail is a bigger threat than local newspapers because it, like regional business publications, is highly targeted, also says that business regionals are drawing more national advertising because of the trend to regional marketing of national products.

"Companies that wouldn't even think of using regionals five years ago are today either doing so or seriously considering it," he says, citing AT&T, American Express, MCI, BMW and Apple Computer. Still, the networks haven't yet been accepted by most national advertisers, and publications with less than a half million circulation, even within a targeted market, aren't likely to get their feet in the agency door unless they're part of a chain.

Given the overall evidence, the odds are that mature, profitable business regionals will weather the crash and perhaps even expand their slice of national ad dollars over the next few years. But a good many start-ups in secondary and tertiary markets may fail to stay afloat, while the weaker entries in highly competitive markets will be eaten up or forced out—perhaps allowing the survivors to join the exclusive ranks of more than marginally profitable business regionals.☐

Magazines as moneymakers

They may not score well compared to the superstars in today's communications industry, but . . .

BY JOHN FRY

An investor or entrepreneur wanting to participate in the profitable, fast growing communications industry, where revenues advanced twice as fast as the Gross National Product's growth of 7.4 percent in the period 1982-86, could do handsomely by putting his money in newspapers or cable TV. The profitability of these segments of the communications industry is outstanding, with pretax income equal to around 18 percent of revenues. A person could also own a magazine and still find it more profitable than most other industries.

Nevertheless, according to the New York communications investment banking firm, Veronis Suhler & Associates (VS&A), consumer magazines ranked last in pretax operating margin among 10 segments of the communications industry in 1986, the most recent year for which data are available.

Publicly owned business magazine publishers did better—12.8 percent pretax income (as a percentage of revenues) versus 8.7 percent for consumer magazines. Still, the profitability of business magazine publishing suffered a sharp decline between 1984 and 1986, as reported in VS&A's recently published (December 1987) annual *Communications Industry Report*.

Given these results, why are magazines targeted as desirable takeovers by many communications companies? Why do they attract leveraged buy outs? What encourages investors to continue to put money into magazine start-ups?

"Consumer magazines don't rank high in profitability within the communications industry," says J. Michael Hadley, a senior vice president of Veronis Suhler, who specializes in magazines and advertising. "That's because they're being measured against profit superstars. But compared to manufacturing or transportation, for example, communications is a high performance industry—and magazines, in reality, are doing well."

To underline Hadley's point, *Business Week's* Top 1,000 Companies had a composite margin (profits as a percentage of sales) of 4.7 percent in 1986, compared with 14.6 percent for the 267 publicly owned communications companies tracked by Veronis Suhler & Associates.

Meanwhile, General Electric Co., one of the country's best managed corporations, earns a pretax profit of 7 percent to 8 percent. That contrasts with 11 percent for all magazines, publicly and privately owned, as measured by Magazine Publishers of America.

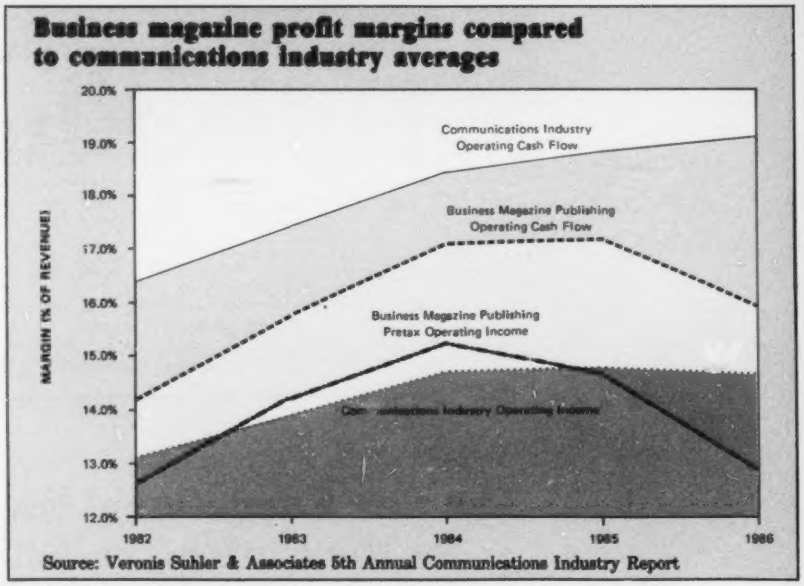
A lure to investors

But it's cashflow that makes magazines particularly attractive to investors, according to James E. Boddorf, Veronis Suhler & Associates executive vice president for business magazine publishing and business information services. Boddorf notes that business magazines generate a 16 percent (of revenues) cashflow margin, which is better, for example, than book publishing, recorded music and entertainment.

Cashflow margin is not one of your everyday operating words in magazine publishing, but Boddorf calls it "the mother's milk of the business." Says Boddorf, "It's what enables owners to reinvest in growth activities, borrow funds and pay dividends. It's the single most important thing investors look at when acquiring magazines."

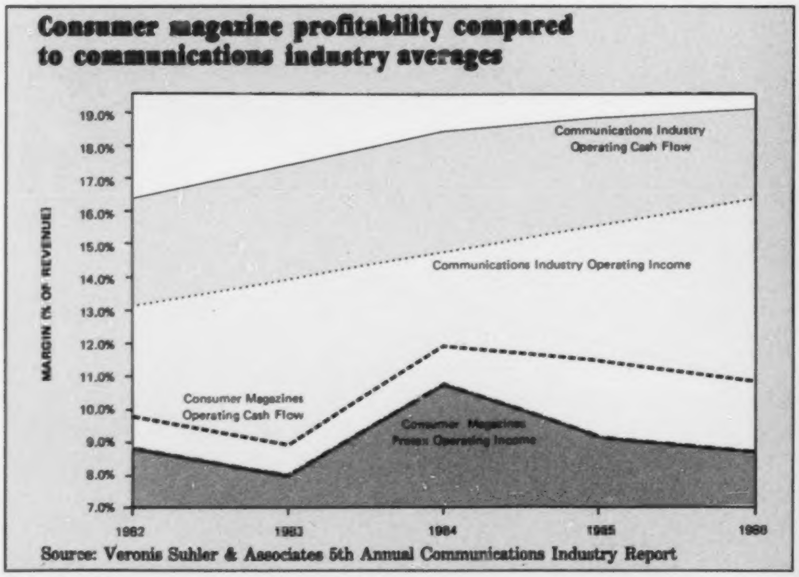
Pretax operating income, the most

John Fry acted as Editorial Consultant to the 1986 **Communications Industry Report.** ***He recently completed the start-up of*** **Snow Country,** ***a new magazine from the New York Times Magazine Group.***


Business magazine profit margins compared to communications industry averages

Source: Veronis Suhler & Associates 5th Annual Communications Industry Report

***Profitability of business magazine publishing sagged** in 1986. Pretax operating income margin fell to 12.8 percent, slightly below the level of five years earlier. Business magazine publishers once outperformed the average of the communications industry in pretax income margin, but in the last two years have fallen below. Nevertheless, an operating cashflow margin of 16 percent for the business magazine segment is the fifth best in the communications industry.*


Consumer magazine profitability compared to communications industry averages

Source: Veronis Suhler & Associates 5th Annual Communications Industry Report

***Profitability of consumer magazines** over five years—shown here as pretax income and cashflow margins, or percentages of revenue—is below the rest of the communications industry. But at 8 percent to 11 percent, magazine margins generate a better return than can be realized in many other businesses. The communications industry's own margins of 16 percent to 19 percent in 1986 make it a profit superstar.*

> "While cashflow margin is not one of your everyday operating words in magazine publishing, it's the 'mother's milk' of the business."

[redacted]

widely used measure of magazine publishing profitability, is what's left from revenues after you've paid all operating costs, met selling and general administrative expenses, and accounted for depreciation and amortization. The latter two, however, are not cash expenses. They are calculated as a percent of physical plant and other assets of the publishing business; when they are brought into play, they have the effect of reducing the amount of the company's income that is subject to tax.

Operating cashflow, on the other hand, excludes depreciation and amortization because they are not part of the out-of-pocket expense of operating the business, but are merely bookkeeping entries reflecting the treatment of previously acquired assets.

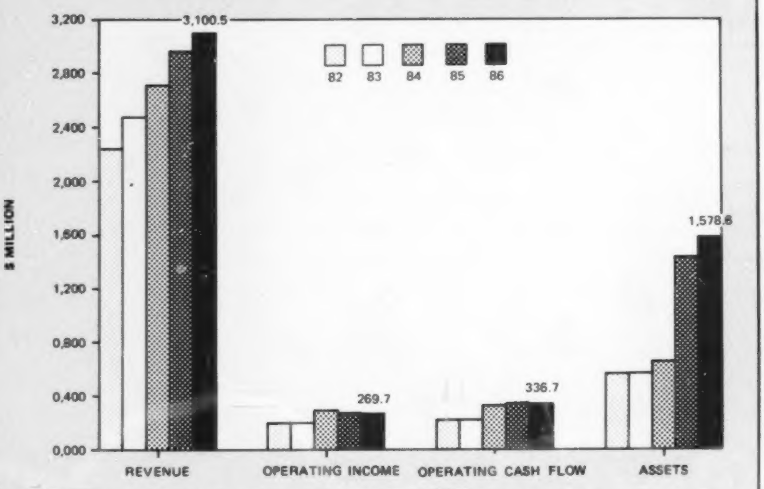
Another attractive factor

Moreover, the *Communication Industry Report*'s measure of cashflow does not include another important aspect of consumer magazine operation: deferred subscription income. This is the cash that readers advance to the publisher for their subscriptions. Before the publisher has the expense of printing and delivering magazines to the readers, he has the use of their cash. When you add that factor to cashflow, it becomes easier to understand why magazines are attractive properties.

"All in all, cashflow is a better and truer reading of the magazine business," says Boddorf.

Cashflow also figures strategically in takeovers. When an acquirer takes over a magazine, the purchase price becomes the new asset base. This new larger number generates higher depreciation and amortization charges. As

Consumer magazines data summary 1982-1986



Source: Veronis Suhler & Associates 5th Annual Communications Industry Report

***The profit performance of publicly owned consumer magazines** remains flat. Although revenue grew a modest 4.6 percent from 1985 to 1986, pretax operating income actually declined to a level $23.5 million below that of 1984. But the asset return of magazines is healthy. In 1984, for example, $1 of assets generated better than $4 of revenue and almost 50 cents of pretax income, a performance unrivaled by any other segment of the communications industry. Note also the huge jump in asset value of publicly owned consumer magazines between 1984 and 1986, a result of Time Inc.'s acquisition of* Southern Living *and CBS's acquisition of the Ziff Davis consumer titles. Although they negatively affected operating income, the mergers left cashflow intact, an important lesson of magazine takeovers.*

a result, net income may drop. But cashflow is unaffected and may even be higher.

"Higher amortization reduces reported earnings," notes Boddorf, "but cashflow is unaffected. And if the takeover produces operating efficiencies, cashflow may improve."

According to the report, magazine publishing enjoys better cashflow as a percent of employed assets (around 23 percent in 1986) than do radio and television broadcasting, book publishing and cable television.

Reasons to invest

Meanwhile, cashflow isn't the only reason magazines continue as an attractive business to be in, despite pretax and after-tax income margins that aren't as high as they are in other segments of the communications industry.

"Magazines are extremely attractive to invest in," says Hadley, "for a variety of reasons. For one thing, magazines aren't as vulnerable to technical change and to competition in the United States from foreign imports such as steel or electronic products, for example."

If language and culture erect powerful barriers against foreign competition and imitators, Hadley also stresses that magazines are a transitory and a talent business.

"With magazines, it doesn't take a

Profitability leaders

RANK	1986 RETURN ON ASSETS (%)		1986 MARGINS (%)		82 V. 86 MARGIN CHANGE (POINTS)	
	PRETAX OPERATING INCOME					
1	Newspaper Publishing	27.0%	Newspaper Publishing	19.4%	Recorded Music	6.2
2	Business Information Services	23.6%	Business Information Services	19.1%	Newspaper Publishing	5.0
3	Recorded Music	22.3%	Cable Television	17.8%	Business Information Services	3.0
4	Business Magazine Publishing	18.4%	Radio & Television Broadcasting	15.6%	Cable Television	2.3
5	Consumer Magazine Publishing	17.9%	Business Magazine Publishing	12.8%	Book Publishing	1.7
6	Radio & Television Broadcasting	12.5%	Book Publishing	12.6%	Radio & Television Broadcasting	0.3
7	Book Publishing	11.8%	Recorded Music	11.4%	Consumer Magazine Publishing	(0.1)
8	Entertainment Programming	7.4%	Entertainment Programming	9.5%	Business Magazine Publishing	(0.4)
9	Advertising Agencies	7.1%	Advertising Agencies	8.8%	Advertising Agencies	(0.6)
10	Cable Television	6.7%	Consumer Magazine Publishing	8.7%	Entertainment Programming	(2.6)

Source: Veronis Suhler & Associates 5th Annual Communications Industry Report

***Compared with other segments of the communications industry**, business and consumer magazine publishers do well in terms of pretax income as a percent of their assets—in other words, return on money they have invested in the business. Business magazines also do well in the traditional measure of profitability: income as a percent (12.8 percent) of revenues. Consumer magazines, however, rank last in pretax margin (8.7 percent). Magazine publishing also failed to record any improvement in profitability (margin change) between 1982 and 1986. By comparison, note that business information services—a product that can be generated by magazines in the form of databases—outperformed publishing in the five-year period.*

lot of capital to go after a bright new idea," he says, noting that magazines generate revenues relative to their asset base that are unequaled in the communications industry. In the years 1982 to 1986, for example, the VS&A segment of publicly owned consumer magazines generated between two and four dollars for every dollar of gross assets employed. Contrast that with the next best performer, radio and television broadcasting, where it took one dollar of assets in 1986 to generate just 68 cents of revenue.

"You don't need to own a printing press to publish a magazine," says Boddorf. "Equally well known is that a magazine's principal assets often go down in the elevator every night."

Because magazine publishing is not a capital-intensive business, but one where unique concepts are important, the rewards can be bountiful when a magazine is sold . . . often at a high multiple of the investment originally needed to start it.

> "Given these results, why are magazines targeted as desirable takeovers by many communications companies? Why do they attract leveraged buy outs? What encourages investors to put the money in magazine start-ups?"
>
> [redacted]

A very dynamic business

"It's a very dynamic business," notes Hadley, who is the former president of Times Mirror Magazines, Inc. "As changes occur in our society, they create publishing opportunities for magazines.

"Consumer magazines reflect what people are doing at any given time. Standard Rate & Data, for instance, listed 50 percent more consumer magazines in 1986 than there were in 1977," says Hadley. "There were 18 categories in SRDS that did not exist 10 years earlier, including computers and

Profitability and growth of five business magazine publishers

Business magazine publishing company	Pretax income margin as % of revenues	1986 cashflow as % of revenues	1986 cashflow as % of assets	1982-86 annual compound growth in revenues
Capital cities/ABC	16.4%	19.8%	28.0%	25.7%
United Newspapers (Gralla, Miller Freeman)	13.9%	16.5%	16.2%	22.5%
McGraw-Hill	13.3%	15.0%	26.7%	4.4%
Pittway (Penton/IPC)	12.5%	13.8%	41.5%	7.7%
Maclean Hunter	10.1%	13.0%	29.8%	10.8%

Source: Veronis Suhler & Associates 5th Annual Communications Industry Report

***In business magazine publishing, growth and profitability** appear to go hand in hand, as evidenced by these performance statistics of the five largest (in revenues) business magazine publishing companies. Note the combined operation of ABC Publishing and Capital Cities business and trade magazines that took effect in 1986. Not only did it create the revenue leader in the field, but an unrivaled performer in such measures of profitability as pretax income margin (16.4%), cashflow margin (19.8%) and return on assets.*

Profitability and growth of five consumer magazine publishers

Consumer magazine publishing company	Pretax income margin as % of revenues	1986 cashflow as % of revenues	1986 cashflow as % of assets	1982-86 compound annual growth of revenue
New York Times (*Family Circle, Golf Digest/Tennis*)	11.6%	12.9%	23.3%	6.7%
Historical Times (*American History Ill., Country Journal*, etc.)	11.1%	15.6%	29.5%	20.7%
Meredith (*Better Homes & Gardens, Ladies' Home Journal, Sail*, etc.)	10.6%	12.1%	28.6%	1.4%
Time (*Time, People, Sports Illustrated, Southern Living*, etc.)	10.3%	11.4%	28.8%	13.8%
News America (*Star, New York, Elle*, etc.)	6.2%	15.2%	15.0%	NA*

*48.7% growth in 1986; 45.7% in 1985.
Source: Veronis Suhler & Associates 5th Annual Communications Industry Report

***Profit margin leaders in consumer magazine** publishing are New York Times Magazine Group and Historical Times, a highly focused special interest publisher. Time Inc., however, is not far behind and, by virtue of its size, generates the largest dollar profit stream of any magazine publisher, while growing its revenues at a 13.8 percent compound annual rate.*

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fitness," he adds.

Boddorf, a former executive vice president of the McGraw-Hill Publications Company, echoes Hadley. "New business magazines constantly are coming into being to reflect changes in the economy and the creation of new technologies and industries," Boddorf points out. "It's a very dynamic environment."

Both VS&A executives agree that magazine ownership can position a company to enter new fields. Subscribers can be persuaded to buy other products. "Readers Digest, for example, used their lists to get into [condensed] books," notes Hadley. "Books led them into travel and home improvement. Now Reader's Digest has completed the loop by buying *Travel Holiday* and *Family Handyman* magazines."

"Publishers shouldn't be just magazine lovers. They should be information lovers, with the magazine serving as the core of the information services they offer."

[redacted]

Business magazines, on the other hand, have the opportunity to use the special knowledge of their fields to become information providers. Certainly the profits are attractive.

In Veronis Suhler's *Communications Industry Report*, Business Information Services rank second only to newspaper publishing as the most profitable segment of the communications business. Thirty-one publicly owned companies creating and selling business information, including giant McGraw-Hill, enjoyed a 19.1 percent pretax operating income margin in 1986, far better than magazines.

"One of the attractions of the business information services segment," says Boddorf, "is that while the ways to success are less well known, when you do find them, competitors don't immediately come in, as they do in magazine publishing.

Although business magazines have been suffering a downturn in profits (pretax income of this VS&A segment fell 4.6 percent in 1986), Boddorf believes a turnaround is inevitable. But he says that many business magazines could be doing better if they had developed ancillary activities such as seminars, conferences, books, newsletters and computer databases to offset advertising's cyclical downturns.

"Too many publishers are focused totally on their magazines, only attempting to maintain or increase their share of linage, cutting ad rates if necessary. It has eroded profits.

"Publishers shouldn't be just magazine lovers," concludes Boddorf, "they should be information lovers, with the magazine serving as the core of the information services they offer.☐

Where to find the financial data

First published six years ago, Veronis Suhler & Associates' *Communications Industry Report* (*CIR*) is a unique document that presents voluminous financial data about the performance of media companies and other segments of the communications industry. The research comes exclusively out of publicly available information from the Securities and Exchange Commission filings of companies and from their annual reports and proxy statements. The report cuts through multimedia ownership to show how corporations are performing in any of 10 segments of the communications industry.

The recently published 5th annual *Communications Industry Report* covers the 1986 financial performance of 267 publicly reporting companies in print, radio, television, entertainment programming, recorded music and advertising.

For more information about the *CIR*, contact Ronald Dronzek, Research Director, Veronis Suhler & Associates Inc., 350 Park Avenue, New York, New York 10020.

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Competition—not only from the vast array of new magazines, but also from the proliferation of alternative media—and ever-present advertiser pressure to give more have focused attention on the added value of merchandising services. **104**

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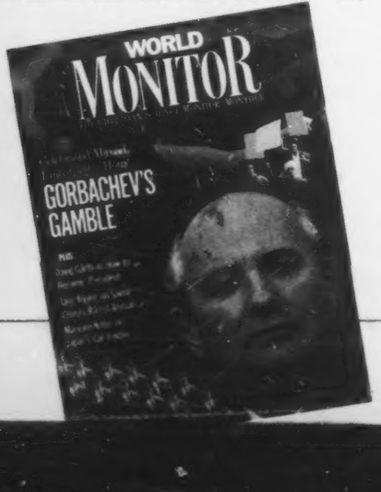
Soon to bump heads with *Time*, *Newsweek* and the rest is *World Monitor*, the monthly from *The Christian Science Monitor*. Is there room in this crowded field? **67**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Hachette spreads its tentacles

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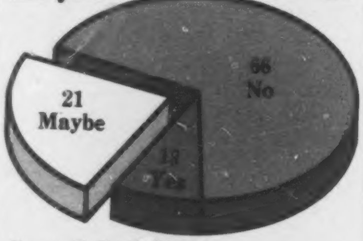

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June 1988

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Keeping customers
is almost a
There are too many prospects to be called on.

The complete run-down of who's earning what in ad sales, analyzed by job title, frequency, geographic area and more. Plus a look at the bonus/commission picture. Learn where you stand in relation to your peers.

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less. Although the spotlight is no longer on the fight against pornography, the battle at the retailers is still going on, says Oren Teicher, executive director of Americans for Constitutional Freedom (ACF), an organization affiliated with Norman Lear's People for the American Way.

"The focus has shifted from national pressure to the local level," he says. "Groups are still putting heat on retailers, or even a single store."

When the fervor began, titles such as *Playboy* and *Penthouse* were on the front lines. Since then, protesters, offended by some content in issues of *Cosmopolitan, Glamour, American Photography*, supermarket tabloids and teen music magazines, have been successful in getting issues pulled off the racks in certain areas, he says.

It is easier to stop selling one issue of a magazine than fight the local minister, Teicher explains. No one title, he says, represents enough of a retailer's income to make store owners fight to keep it on the rack for that month.

Study on child pornography

To gauge the pressure on retailers, ACF has set up a toll-free number for wholesalers. That communication has revealed that newsstand pressure runs in cycles. A recent lull ended when a group called the Institute for Media Education distributed a report citing alleged examples of child pornography in *Playboy, Penthouse* and *Hustler*. The report also noted examples of crime and violence in these magazines. About 65,000 copies of the report were mailed to magazine retailers, legislators and other groups.

ACF and the Council for Periodical Distributors Associations (CPDA) are countering the report with their own response to the study, says John Harrington, president of the distributors' council.

The Institute's study, researched by Dr. Judith Reisman, was initially commissioned by the juvenile arm of the U.S. Department of Justice. The Justice Department, however, does not endorse the completed report, questioning Reisman's methodology. Harrington and the ACF are highlighting that fact in their rebuttal.

The final executive summary, mailed to retailers, asks that they stop selling magazines that contain images of models under the age of 21. Store owners were also asked not to sell adult titles to minors, says Teicher.

Congress now involved

As a result of the Meese Commission's findings, legislation has been drafted to make wholesalers and retailers accountable to the Federal Government for selling pornography.

Part of the bill focuses on child pornography, but other wording deals with the trafficking of "obscene" material. For example, wholesalers and retailers who receive such material through interstate commerce would be subject to Federal prosecution.

Introduced in early 1988, the legislation is now in the Senate and House judiciary committees. It is difficult to predict what action, if any, will be taken, he speculates. If enacted, the legislation will allow the Federal Government to move into an area that has, until now, been a local one, Teicher adds.

Room for 'cautious optimism'

Even though the noise from the Meese Commission and local pressure groups hasn't quieted, retailers are more willing to talk to national distributors, says James Borth, vice president, client relations, Curtis Distribution. "A year ago we couldn't get our foot in the door."

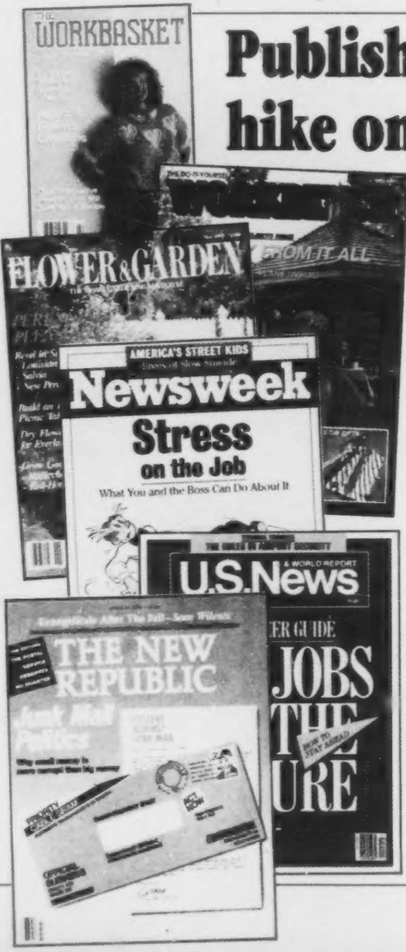
Curtis represents *Penthouse, Club, Genesis* and *Easyriders*. Since 1986, the distributor has lost 20 percent of its dealers for those titles, but the climate is changing, says Borth. Now, 250 7-Elevens have been bought by National Convenience Stores, which carries selected men's titles.

In addition, Rite Aid, a drugstore chain that dropped the titles, has been carrying them again as a test to see if their sale elicits negative reaction, adds Borth. In total, CPDA lists at least 4,000 new accounts that carry the men's titles, says Harrington. But these are not necessarily retailers that dropped the titles and have come back, he explains.

Harrington won't reveal the names of other chains that have started to carry the titles. "We don't want them to be the target of controversy," he says.—*J.A.*

Publishers pass postal hike on to subscribers

Single-copy prices less likely to be targeted for increases



***Subscription rate hikes** are in store for these magazines, due in part to the new postal rates set in April.*

Now saddled with double-digit postal increases, many publishers are looking to trim their bottom line—particularly by passing cost hikes along in the form of higher subscription prices. Higher ad rates and trimmer third class mailings, too, may appear in the coming months, say publishers and consultants contacted by FOLIO:.

Some indication of the reaction comes from circulation consultant E. Daniel Capell. In a March survey of 100 magazines, 13 said they will raise subscription prices, 66 said they will not, and 21 were not sure. The number of undecideds, notes Capell, was well above the usual five or six, suggesting that many publishers were waiting for the rate-hike announcement before making any moves.

Capell's hunch is that many will opt to raise their rates, if not this year, then in 1989, especially since publishers have been "conservative on pricing in the last five years." It does not appear, however, that publishers will raise newsstand prices, he says.

Direct mail cutbacks

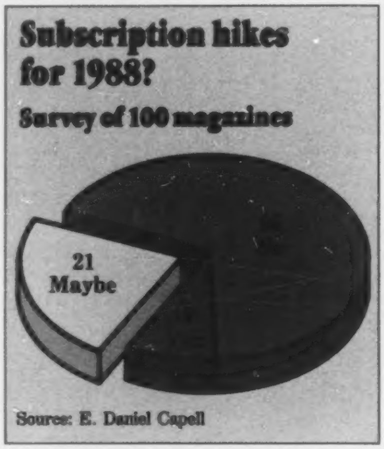
Smaller publishers, for example, have passed on some of their postal burden to subscribers. Modern Handcraft, Inc., publisher of *Workbasket, Workbench* and *Flower & Garden*, raised its subscription prices in February from six to eight dollars on each title—a move partly due to postage hikes that cost the firm over $1 million, says John Tillotson, president and publisher. Tillotson says he would also like to pass the increases along to advertisers in 1989. Newsstand prices, raised last year, will remain the same.

Tillotson also hopes to "get out of the mail as much as possible," to cut down on third-class charges. One tack is to improve renewals, he says.

The New Republic will raise subscription prices in 1989, although they have been boosted from $46 to $56 in the past four years, says publisher Jeffrey Dearth. He will be testing $64, but will probably settle for $59. Newsstand prices will remain unchanged. Ad rates, however, may reflect the increase in 1989.

The postal hikes have raised operating costs by "at least $150,000" this year, says Dearth, who notes that the 1988 budget was prepared with the postal hikes in mind. If there is any give in the budget, it would be in direct mail, though Dearth says he would hate to make cuts in that area.

On the business magazine front, the postal hikes will be a factor in setting ad rates in 1989 at Edgell Communications, says president Richard Moeller. Joe Bilderbach, vice president, also notes that, rather than provide subscribers with business reply envelopes, the firm may start asking them to provide their own stamps. He adds that the company may expand its inhouse telemarketing effort to cut down on mail costs. More polybagging and cover wraps, too, may help qualification efforts, notes Moeller.



Subscription hikes for 1988?

Survey of 100 magazines

Source: E. Daniel Capell

***Notable indecision:** In a March survey, the number of publishers undecided about raising subscription rates this year was exceptionally high. Many may push up rates in response to postal increases.*

Wini Ragus, vice president of circulation at Miller Freeman, says the firm will be scrutinizing its list rentals to ensure that "we're not overpenetrating in bulk mail. We're going for quality, not quantity."

Higher prices at newsweeklies

Newsweek, whose circulation is 96 percent subscription-based, boosted its basic subscription rate 10 percent in early April after finding postal increases will cost $2.4 million in 1988.

"We needed to make some moves to preclude making any changes in the magazine itself," says Diana Pearson, director of communications. In addition to an 18 percent second class jump, the newsweekly faces a 28 percent hike in the price of paper.

Newsweek also decided to terminate two controlled publications, *Newsweek on Health* and *Newsweek on Campus*—a move also prompted by the postal increases, says Pearson. *Newsweek on Campus*, unprofitable during five of its six years, failed to attract students to the flagship magazine, she notes. *Newsweek on Health* reportedly failed to attract advertisers.

Meanwhile, *U.S. News & World Report* has raised its basic subscription price from 67 cents to 77 cents per issue, according to William Harris, executive vice president. Postal and paper price increases were factors, says Harris; another was that "the circulation has been so strong lately." The magazine is also pressing to restore palletization discounts eliminated in the latest rate case, and to create favorable rules on polybagging.

Although Time Inc.'s total postage bill will be $46 million higher this year than last, the company will not raise subscription prices on any of its magazines, says spokesperson Michael Luftman. Plans are to reduce mailing costs through presorting and greater use of nine-digit Zip Codes.—*M.G.*

Making haste with color photos

PC-based system allows color photo previewing from remote locations; cuts handling liability

A new color photo transmission system is shaving hours—even as much as a day—off the critical production schedule of weekly *U.S. News & World Report*. What's more, the system reduces the need to handle hundreds of freelance photographs each week.

The system, developed by National Digital Corp., Falls Church, Virginia, allows a photographer or photo editor at a remote location to scan a number of color transparencies into a personal computer-based system, at a rate of about one per minute, and transmit that digital data over normal telephone lines to a base operation. Photo editors can then view the low-resolution photographs (512 by 400 pixels) on a color monitor, individually or several at a time. The monitor reproductions are accurate enough to make critical decisions about composition, color quality and so forth, says Frank Scott, vice president, technology, at Publishers Phototype International (PPI), which handles pre-press operations for *U.S. News*.

In practice, *U.S. News* uses the system only for previewing photos. The weekly has one remote station set up in its New York City bureau, where a majority of its editorial is generated. Photo editors in Washington, D.C., select photos from the preview system and indicate to New York which transcomputer language. That will enable smoother, faster and more accurate integration of all the elements, Scott explains.

U.S. News may begin the conversion as early as this summer. In this way the art, editorial and design departments will be comfortable with the computer systems by the time the PostScript link becomes available. The whole operation will then switch to a direct-to-film system.—*P.F.*

International mailers desert USPS

Faced with 40% postage hikes, publishers switch to private carriers

Publishers with overseas subscribers are planning a mass exodus from USPS international service, now that surface mail rates for periodicals have jumped an average 39.5 percent. Those publishers are finding a new appeal in costly, but speedy, private air carriers.

At press time, the Association of Business Publishers (ABP) was asking members to consider pooling mailings and using a private service in order to gain greater price leverage, notes Stephen Feldman, an attorney representing ABP. Meanwhile, the Association is taking up a legal fight against the Postal Service: "We are trying to get the rates rescinded or declared illegal," he says. Because ABP is in litigation, Feldman could give no additional details about ABP's position.

The cost of sending a one-pound journal via surface mail has jumped from $.96 to $1.34, causing publishers who print at Waverly Press to ask about alternatives, explains Jo Ann Malpass, corporate postal freight coordinator. The printer has about 200 clients, many with foreign subscribers. "We are getting calls from several customers," she says, "who are asking: Are these the true rates? If so, should I be changing to another system?"

Higher price, better service

Even with the postal rate increase, most private carriers remain more expensive than USPS surface mail. KLM Publication Distribution Service, for example, may charge twice as much as surface rates, or $2.50, to deliver a one-pound publication, estimates Herman Danz, director of the publication distribution service. This includes air transport and other handling.

New international surface rates

Effective 4/3/88

Weight not over	Rate to all countries
1 ounce	$ .20
4 ounces	.50
10 ounces	.92
16 ounces	1.34
2 pounds	2.30
3 pounds	3.20
4 pounds	4.10
Each additional pound over 4 pounds	.90

Source: U.S. Postal Service

***Legal action** is the Association of Business Publishers' answer to new Postal Service rate increases nearing 40 percent for publishers' periodicals.*

Even so, the appeal of private carriers is faster delivery: KLM's delivery to Europe takes three to five days, says Danz. Periodicals shipped via the Postal Service's surface mail, on the other hand, might take four weeks to Europe and six to eight weeks to Japan, says Malpass.

Meanwhile, the Postal Service's International Surface Air Lift (ISAL) did not see a rate increase. ISAL delivery of a one-pound publication can take 10 to 14 days and cost from $2.85 to $3.90. The Postal Service's Air Printed Matter rates, which have increased, now range from $3.08 to $8.28 for a one-pound magazine, depending on the destination.

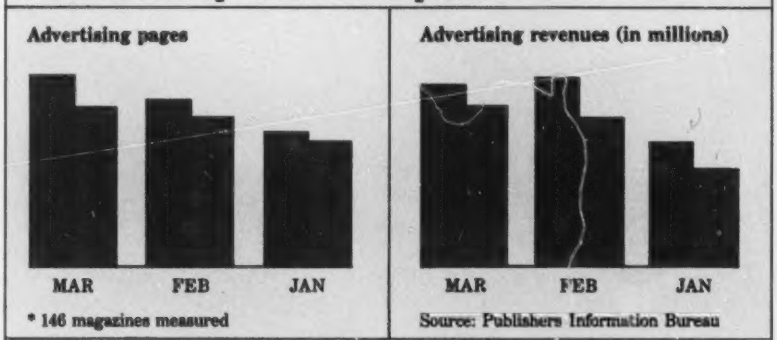
The American Chemical Society (ACS) switched to private carriers several years ago, anticipating that postal rates would increase, according to staff associate Norman Favin, who also heads the Graphic Communications Association's international committee. ACS has 22 publications with substantial foreign circulations.

Mailers speculate that the dramatic increase is tied to anticipated increases in U.S. dues to the United Postal Union (UPU), which will meet next year. Each of the 160 countries in the UPU pays dues to reimburse foreign administrations for moving other countries' mail. Magazines sent from the United States to Germany, for example, pay U.S. postage, even though the German mail system handles local delivery.

Mailers expect a hefty dues hike for the United States, which exports more mail than other countries. In fact, since 1980, dues for the United States have gone up 400 percent, says Duane C. Redic, principal economist for the Postal Service's office of rates. In 1985, the last time surface rates increased, dues went up 30 percent.

U.S. publishers argue, however, that foreign postal services are taking advantage of the United States. Raising dues, says one source, "is an easy way for third world nations, which don't generate a lot of outgoing mail, to generate revenues."—*J.A.*

PIB revenues up 11% in first quarter



* 146 magazines measured

Source: Publishers Information Bureau

Revenues in first quarter 1988 outpaced all other first quarters. The 155 magazines monitored by Publishers Information Bureau racked up $1.312 billion, an 11.3 percent increase over first quarter 1987.

FOLIO:'s 1988

Advertising sales compensation survey

This year's complete run-down of who's earning what in ad sales, analyzed by job title, frequency, area and more

ROBERT M. STEED

Sales Presentation
Keeping customers sold is almost a full time job.
Sales Presentation

Magazine salespeople are an inherently optimistic lot. And, in general, the respondents to FOLIO:'s third annual ad sales compensation survey are no exception. As can be seen from the quotations accompanying this article, most bullishly believe 1988 will be better than 1987 for ad sales. This view is consistent, although certainly not universal, across all types of magazines, all regions, and all job categories.

On a personal level, they expect their optimism to be reflected in their pay checks—projecting bonus increases over 1987 ranging from 8 percent for ad sales directors (who have been through the wars before) to 21 percent for ad sales people and 24 percent for branch/category managers.

This survey, which gives the complete run-down on salaries and total compensation for ad sales directors, managers and salespeople, yields some other important findings:

- There is a clear correlation between magazine size—measured by ad revenue, pages or circulation—and compensation, not only for a director or manager, but also for an individual salesperson.
- Women continue to earn between 60 percent and 70 percent of the salary of their male counterparts, except for branch/category managers, where women's salaries are 92 percent of men's and where their total compensation is actually slightly higher.
- Bonus or commission is a significant portion of total compensation; for people receiving both salary and bonus (90 percent of the total sample), the bonus is between 32 percent and 40 percent of the total. And the salaries of those who don't receive a bonus don't make up for the difference—those people are simply paid less.
- Where the incentive is based on commission, in whole or in part, it is generally higher than where it is based on a broader bonus formula. But the salary of salespeople paid on commission is typically lower, and thus there is little difference in total compensation between them and people paid a sales bonus.

Ad sales directors

Ad sales directors who responded to the survey are generally from smaller magazines (*e.g.*, only 11 percent work on magazines with over $8 million in revenue, while over 25 percent from the other job categories work on those larger publications). Because magazine size and compensation are directly related, this skew makes ad sales directors' salaries and total compensation appear low relative to the other job categories. Examining the data in finer detail, however, confirms that they earn substantially more than their counterparts in virtually every size ranking.

Directors average $52,042 in salary and $81,512 in salary plus bonus. Those on consumer magazines earn slightly more than their business magazine counterparts. Overall, the spread from top to bottom is very high—the top one-third average three times the compensation of the bottom one-third in both salary and total compensation.

For directors, at least, the Northeast is the place to work—those in that area of the country earn $62,375 in salary and $93,053 in total compensation, far more than their counterparts elsewhere.

The total compensation of women

Robert M. Steed is managing director of Human Resource Services, Inc., a Manhattan-based firm providing a broad range of consulting services, including executive search, to the communications, consumer packaged goods and financial services industries. Before joining HRS, he was vice president and director of personnel of Time Inc.

Sales Presentation
Sales Presentation
Advertising cuts the cost of selling.

ad directors is only two-thirds of that of their male counterparts—$62,948 versus $95,362; indeed, total compensation of female ad directors is less than that of ad managers and branch/category managers. This outcome may reflect factors such as length of time in the industry or the size of the magazines on which these women work. Because this survey can examine only one variable at a time (see box on methodology), it is not possible to determine whether that is the case.

There is a clear relationship between experience and compensation. Ad directors with up to three years in the industry earn $33,075 in salary and $55,670 in salary plus bonus; those with over 20 years earn $57,833 in salary (surprisingly, that is $10,000 less than those with 11 to 20 years) and $118,000 in total compensation.

There is an equally clear relationship between the size of the ad sales department and compensation. Those who supervise one person or none earn half as much, in salary and total compensation, as those who supervise 10 or more. Although we can't tell for sure, it stands to reason that ad directors who supervise small staffs are often those with little time in the industry.

Those ad directors are also probably working on smaller magazines. And, not surprisingly, compensation increases as magazine size increases—whether size is measured by ad revenue, pages or circulation. For example:

- Ad directors on magazines with less than $1 million in ad revenue earn $37,338 in salary, while where ad revenue is $20 million or more, salary is two and one-half times as large at $91,750. The same pattern holds for total compensation, which moves from $50,235 on the smallest magazines to $124,000 on the largest.
- Where estimated ad pages for 1988 are less than 500, total compensation is $56,933; where estimated ad pages are more than 1,000, total compensation almost doubles, to $100,178.
- Ad directors on magazines with less than 50,000 circulation earn $42,871 in salary and $65,451 in total compensation; those on magazines with a circulation over 500,000 take home $91,000 in salary and $120,444 in salary plus bonus.
- Those on weeklies and biweeklies earn slightly more than those on monthlies. But ad directors of publications with other frequencies trail far behind.

Ad sales managers

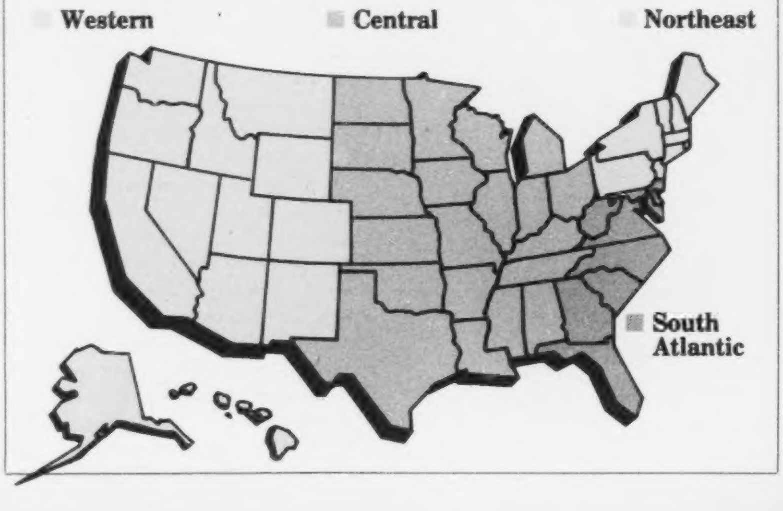
The patterns described above are generally repeated among ad sales managers (defined as the number-two job in the advertising department), although there are a few interesting variations. Managers average $46,744 in salary and $72,286 in total compensation—fairly close to the averages for directors because there are proportionately more ad manager respondents from larger magazines. As with directors, consumer magazine managers outearned their business counterparts. And the top one-third earned well over three times the bottom one-third.

Regional differences are much narrower. The Northeast again leads in salary, at $52,925, with the South Atlantic trailing at $38,333. But on total compensation all regions are virtually identical—except for the Central, which trails the rest of the country by about $7,500.

Furthermore, although the salary of female ad managers is only 62 percent of men's, they receive almost the same amount in bonuses. Thus their total compensation rises to 75 percent of their male peers—$60,729 versus $81,248.

Experience is important for managers too—and the impact is striking. Managers with three years or less experience earn $25,783 in salary and $39,344 in total compensation; those with four to 10 years' experience jump

The regions have been divided as follows:



Using the numbers

It is important to use the salary information in this survey cautiously. In many instances there were not enough respondents in certain cells to allow valid conclusions to be reached. For this reason, FOLIO: is publishing the number of respondents in each cell (shown in parentheses). In addition, not all respondents answered all questions. Therefore, the total number of respondents in the "average" column of a chart, for example, is not necessarily the sum of the subcategories.

The survey also compares only one variable at a time. For example, ad sales directors in the Northeast earn higher salaries than their peers in other regions—but are those in the Northeast who participated in the survey working on larger circulation magazines? Are they the ones with the most experience? The survey methodology does not enable these multiple variables to be analyzed.

Last, one should be extremely cautious about comparing the data in this survey with data from prior years. FOLIO: has restructured its sample by eliminating the requirement that a fixed percentage be drawn from magazines with total revenues of $5 million or more. Also, those who responded to this survey may well come from a different mix of magazines—especially related to size—than respondents to prior surveys. More important, for the first time, FOLIO: is combining salary and bonus for those reporting both types of compensation in order to give a truer picture of total compensation for sales personnel.

to $45,673 in salary and $70,719 in salary plus bonus. Compensation continues to increase above 10 years, but not as dramatically.

The salary of managers who supervise one person or none is $37,710, rising steadily to $66,500 for those who supervise more than 10. But this pattern is true only for consumer publications; salaries of ad managers on business magazines decline steadily as the size of the department grows.

Total compensation of managers in the smallest departments is $73,780, which is $8,000 more than the pay of those who supervise two to five people, and almost equal to the total compensation of those who supervise more than 10. This probably reflects the fact that ad sales managers in these small departments are often senior sales professionals with heavy direct sales responsibility.

The direct relationship between the size of a manager's magazine and his or her earnings remains constant. The salary of managers on magazines with up to $1 million in ad revenue is $29,494, and it rises steadily to $74,393 for those on magazines with over $20 million in ad revenue. Total compensation repeats the pattern, moving from $45,136 to $100,714. Because ad revenue is largely a function of pages and circulation, compensation also increases as those two criteria increase.

Last, managers on weeklies and biweeklies earn substantially more than those on monthlies. Thus, managers on weeklies and biweeklies earn a salary of $61,786 and a total compensation of $104,792. The comparable figures for managers on monthlies are $45,834 and $70,988.

Branch/category managers

This group is made up of managers with responsibility for geographic areas (typically away from headquarters) or advertising categories. In several respects, their compensation shows significant variations from those of directors and ad managers.

Branch/category managers average $52,463 in salary and $75,262 in total compensation, in each case more than ad managers. Indeed, those figures are virtually identical to ad directors—because there was a substantially greater proportion of branch or category managers from large magazines who responded to the survey. The highest paid one-third in this job category earn only about double the bottom one-third in both salary and total compensation, versus more than three times in the others.

In this job category, it apparently helps *not* to be in the Northeast—perhaps because so many headquarters operations are there. The Central region leads in salary at $55,590, with the Northeast in third place at $50,000. And the Northeast is dead last in total compensation, about $20,000 behind the other three regions, which are tightly bunched in the low $80,000s.

Hearteningly, the average salary of female managers in this group is $49,704, not far off the pace for men, which stands at $54,050. And women's total compensation is actually a shade higher—$76,885 versus $74,408. It's not possible to determine the reason for this, or, what is more important, whether it presages a closing of the salary gap in other categories in the future.

Experience is still important, with salary rising from $37,690 for those with three years' or less experience to $63,818 for those with more than 20. Salary plus bonus is $55,690 for the newest branch/category managers and $99,850 for those with 11 to 20 years in the business; but then it drops to $82,750 for those with over 20 years.

Reflecting the fact that the primary responsibility of these jobs is sales, the size of the department has little impact. Those who supervise one person or none earn about the same. And for them, salary is only about $5,000 less than for those who supervise more than one person; total compensation, however, is about $17,000 less.

Even size of the magazine, while still significant, has a lower impact in this job category than it does for directors and ad managers. For example:

- Salaries for people in this group who work on magazines with less than $1 million in ad revenue average $42,417, moving up to $61,425 for magazines with over $20 million in ad revenue—a difference of less than 50 percent. The comparable figures for total compensation are $59,900 and $92,300, a difference of slightly over 50 percent. By contrast, for ad directors and managers, the difference between the smallest and largest magazines is 150 percent.
- Ad pages, too, make less of a difference. Average salary for those on magazines with under 500 pages is $50,450, versus $56,958 where pages are over 1,000. Total compensation moves from $65,900 to $83,516. Not surprisingly, a similar pattern emerges comparing small circulation magazines with larger ones.
- And, once again, people on

weeklies and biweeklies outpace their counterparts on monthlies—in salary, $59,213 to $52,319, and in total compensation, $83,300 to $76,511. Those on magazines with other frequencies lag further behind, at $42,200 and $60,300.

Ad sales people

The ad sales person is the one who gets the job done in the trenches. And with a strong, well-positioned product and the application of energy, intelligence and sales savvy, earnings can be substantial. Ad sales people in FOLIO:'s survey average $33,711 in salary and $54,026 in salary plus bonus. Perhaps more telling, the highest paid one-third earn a salary of $53,555 and a total compensation of $87,518—over three times the earnings of the bottom one-third.

As opposed to all other categories, ad sales people on business magazines earn substantially more than their consumer counterparts—$36,635 versus $24,761 in salary, and $60,803 versus $36,765 in total compensation. This is probably a result of the mix of people who responded to the survey, for the consumer respondents had a much higher proportion of people from smaller magazines, those with less experience, and females.

For ad sales people, experience is a prime determinant of salary, with those having three years' or less experience earning about half in salary and total compensation of those with more than 10 years' experience. And women earn only about two-thirds what men earn—$26,800 in salary as opposed to $39,910, and $43,295 versus $63,752 in total compensation.

Ad sales people in the Northeast and Central regions are about equal in salary, with the South Atlantic and West trailing badly. But the South Atlantic comes out first in total compensation, with the Northeast and Central in the middle and the West still a distant fourth.

The size of the magazine is important for ad sales people, as it is for directors and ad managers. But the impact of size on compensation shows up in different ways. People working on magazines with under 500 ad pages earn about the same as those where pages are 500 to 1,000. But if the magazine is over 1,000 pages, salary jumps from about $31,500 to almost $40,000, and total compensation jumps from about $46,600 to $66,600. On the other hand, if circulation is under 50,000, total compensation averages $42,726; but whether circulation is 50,000 to 500,000 or over 500,000, total compensation still averages in the low $60,000s.

Ad revenue remains the best touchstone. Salaries of ad sales people move progressively from $18,209 for those on magazines with under $1 million in ad revenue, to $50,520 for those on magazines with ad revenue between $8 million and $20 million; the comparable figures for total compensation are $28,869 and $84,732. Oddly, however, both salary and total compensation drop about 10 percent for those on magazines with over $20 million in ad revenue.

> "This may suggest that business magazines have compensation systems that are more leveraged."

[redacted]

Ad sales bonuses/commissions

FOLIO: has included a new chart this year that details bonus or commission payments by job title. Because incentive payments play such a major role in sales compensation—averaging one-third or more of total compensation in all job categories—this chart can help clarify both the differences between categories and some of the differences within categories based on magazine size or individual experience, and so on.

For example, while consumer magazines pay more than business magazines on both salary and total compensation levels in all job categories (except ad sales people), bonuses or commissions are larger on business magazines in every case—except for branch/category managers. This may suggest that business magazines have compensation systems that are more leveraged.

It is also interesting to note that, while there is a steady upward trend in the overall average amount of bonuses from ad sales person to ad sales director, that trend disappears within some of the breakdowns. For example, ad sales managers at magazines with under $1 million in revenue average $22,864 in bonus, compared with $17,195 for ad sales directors.

An optimistic outlook

This chart also demonstrates the optimism for which salespeople are renowned. They project as much as a 24 percent increase in bonus for 1988 compared with what they received in 1987—an increase that will occur only if 1988 is an excellent year for magazine advertising. Let's hope that's how it turns out.☐

Methodology

Four hundred sixty-five of the 1,095 ad sales professionals who received questionnaires responded to FOLIO:'s third annual ad sales salary survey, resulting in a response rate of 42.5 percent. Of the total responses, 437 contained sufficient information to be used for tabulation. The survey was conducted in January through two mailing efforts. Participants were asked to supply data reflecting 1988 earnings; if exact figures were unavailable, they were requested to estimate.

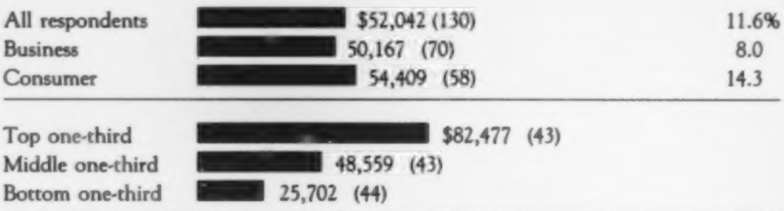
In some cases, respondents did not give an exact bonus or commission figure, but gave an expected range instead. Here the mean was used for tabulation. For example, if an ad sales professional indicated that his or her annual bonus/commission would be between $10,000 and $12,000, the arithmetic mean of $11,000 was used as that respondent's expected bonus/commission for the year.

The sample was evenly divided among the four categories of sales professionals. Each category was also evenly divided between consumer and business publications. A job description has been included with each compensation chart. These descriptions were printed on the questionnaire; respondents were asked to mark the description that most accurately reflected their duties.

Ad sales director: Salary

Advertising sales director (in some cases may have the title of publisher): top ad sales executive; manages ad sales department; sets policies and procedures; is responsible for reaching goals and quotas; hires and trains personnel.

Average salaries (The number of respondents is in parentheses.)



	Average salary	% increase from '87 to '88
All respondents	$52,042 (130)	11.6%
Business	50,167 (70)	8.0
Consumer	54,409 (58)	14.3
Top one-third	$82,477 (43)	
Middle one-third	48,559 (43)	
Bottom one-third	25,702 (44)	

	Average	Average business	Average consumer
By region:			
Northeast	$62,375 (53)	$56,865 (26)	$68,360 (26)
South Atlantic	46,859 (17)	40,800 (7)	51,444 (9)
Central	46,100 (37)	49,096 (26)	39,018 (11)
Western	41,877 (22)	42,827 (11)	40,927 (11)
By years in the business:			
Up to 3 years	$33,075 (28)	$30,473 (15)	$36,077 (13)
4-10	52,725 (61)	50,826 (31)	55,093 (28)
11-20	68,166 (28)	64,233 (15)	72,704 (13)
Over 20	57,833 (12)	61,875 (8)	49,750 (4)
By no. of employees supervised:			
None/one	$34,020 (15)	$32,033 (9)	$37,000 (6)
2-5	48,122 (58)	51,884 (32)	43,312 (25)
6-10	55,989 (35)	53,030 (20)	60,643 (14)
More than 10	68,384 (22)	55,833 (9)	77,073 (13)
By sex:			
Female	$41,599 (58)	$39,721 (28)	$42,948 (28)
Male	60,454 (72)	57,131 (42)	65,107 (30)
By ad revenue:†			
Up to $999,999	$37,338 (44)	$38,536 (22)	$36,139 (22)
$1 million-$2,999,999	52,876 (42)	54,223 (26)	50,688 (16)
$3 million-$7,999,999	64,783 (24)	62,777 (13)	67,155 (11)
$8 million-$19,999,999	71,889 (9)	57,000 (5)	90,500 (4)
$20 million and over	91,750 (4)	70,000 (1)	99,000 (3)
By ad pages:†			
Up to 499	$38,143 (41)	$36,991 (23)	$39,614 (18)
500-999	58,522 (45)	56,100 (25)	61,550 (20)
1,000 and over	60,011 (27)	56,585 (13)	63,193 (14)
By circulation:†			
Up to 49,999	$42,871 (55)	$45,861 (38)	$36,188 (17)
50,000-499,999	53,992 (58)	55,276 (29)	52,709 (29)
500,000 and over	91,000 (9)	0 (0)	91,000 (9)
By frequency:†			
Weekly/biweekly	$57,433 (18)	$51,789 (9)	$63,078 (9)
Monthly	54,135 (82)	52,552 (50)	56,609 (32)
Other	43,377 (28)	39,000 (10)	45,679 (17)

†Refers to the largest revenue producing magazine on which respondent works

> ***"Aggressive sales training, marketing support and promotional activities will make '88 better. Economy looks good, and our market outlook is very bright."***
>
> —Ad sales director in the Northeast earning almost $80,000 in salary and bonus/commission.

> ***"1988 will be better— I'm new. I was hired to make it better."***
>
> —Ad sales director with more than 10 years' experience, earning about $150,000 in salary and bonus/commission.

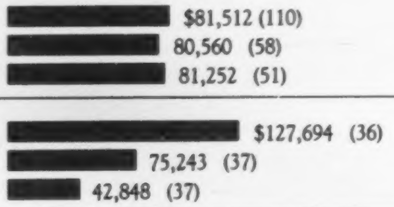
> ***"We've managed to make more advertisers feel that we are a necessity instead of a luxury."***
>
> —Ad sales director in the South earning about $30,000 in salary and bonus/commission working on a monthly consumer title.

Sales Presentation

Ad sales director: Total compensation

Average total compensation*

(The number of respondents is in parentheses.)



	Average total compensation*	% increase from '87 to '88
All respondents	$81,512 (110)	9.1%
Business	80,560 (58)	15.7
Consumer	81,252 (51)	2.8
Top one-third	$127,694 (36)	
Middle one-third	75,243 (37)	
Bottom one-third	42,848 (37)	

	Average	Average business	Average consumer
By region:			
Northeast	$93,053 (47)	$87,391 (23)	$96,239 (23)
South Atlantic	80,805 (15)	90,900 (6)	74,075 (9)
Central	65,769 (26)	70,778 (18)	54,500 (8)
Western	75,943 (21)	76,645 (11)	75,170 (10)
By years in the business:			
Up to 3 years	$55,670 (23)	$51,325 (12)	$60,409 (11)
4-10	80,063 (56)	77,379 (28)	80,256 (27)
11-20	100,839 (22)	99,167 (12)	102,845 (10)
Over 20	118,000 (8)	132,000 (5)	94,667 (3)
By no. of employees supervised:			
None/one	$53,562 (13)	$50,967 (6)	$55,786 (7)
2-5	76,755 (48)	81,411 (27)	70,768 (21)
6-10	89,276 (33)	86,321 (19)	88,923 (13)
More than 10	102,484 (16)	88,083 (6)	111,125 (10)
By sex:			
Female	$62,948 (47)	$61,736 (22)	$60,432 (24)
Male	95,362 (63)	92,064 (36)	99,759 (27)
By ad revenue:†			
Up to $999,999	$50,235 (31)	$46,592 (12)	$52,537 (19)
$1 million-$2,999,999	84,449 (40)	87,352 (25)	79,612 (15)
$3 million-$7,999,999	96,414 (22)	93,892 (13)	100,056 (9)
$8 million-$19,999,999	121,667 (9)	111,200 (5)	134,750 (4)
$20 million and over	124,000 (3)	0 (0)	124,000 (3)
By ad pages:†			
Up to 499	$56,933 (33)	$55,418 (17)	$58,544 (16)
500-999	87,333 (41)	82,727 (22)	92,667 (19)
1,000 and over	100,178 (23)	102,217 (12)	97,955 (11)
By circulation:†			
Up to 49,999	$65,451 (43)	$70,817 (30)	$53,067 (13)
50,000-499,999	88,075 (53)	92,962 (26)	83,370 (27)
500,000 and over	120,444 (9)	0 (0)	120,444 (9)
By frequency:†			
Weekly/biweekly	$87,079 (14)	$83,289 (9)	$93,900 (5)
Monthly	85,952 (72)	85,863 (41)	86,070 (31)
Other	62,077 (22)	51,357 (7)	67,080 (15)

*Salary plus bonus/commission; excludes people receiving salary only

†Refers to the largest revenue producing magazine on which respondent works

> *"It'll be somewhat harder based on late budgets from clients, and there are too many magazines giving away space for free."*
>
> —Ad sales director working on a monthly business publication with a circulation of 350,000.

[redacted]

> *"Two of our publications will be down this year because the travel industry will be hurt by recession. And two will be up because they are new and have excellent growth potential."*
>
> —Ad sales director in the West with less than five years' experience, earning roughly $60,000 in salary and bonus/commission.

[redacted]

Sales Presentation

Do you really want your salespeople making cold calls?

Ad sales manager: Salary

Ad sales manager: generally the second level of management in ad sales department; reports to director or publisher; has management but not policy responsibility for personnel within the department.

Average salaries (The number of respondents is in parentheses.)		% increase from '87 to '88
All respondents	$46,744 (96)	11.1%
Business	42,476 (45)	9.8
Consumer	51,826 (49)	12.2
Top one-third	$75,703 (32)	
Middle one-third	43,906 (32)	
Bottom one-third	20,624 (32)	

	Average	Average business	Average consumer
By region:			
Northeast	$52,925 (28)	$56,333 (12)	$52,287 (15)
South Atlantic	38,333 (9)	33,833 (6)	47,333 (3)
Central	42,447 (35)	35,543 (21)	55,712 (13)
Western	48,954 (24)	47,667 (6)	49,383 (18)
By years in the business:			
Up to 3 years	$25,783 (20)	$23,185 (13)	$30,609 (7)
4-10	45,673 (49)	45,381 (21)	48,015 (26)
11-20	62,571 (14)	66,833 (6)	59,375 (8)
Over 20	65,985 (13)	51,200 (5)	75,225 (8)
By no. of employees supervised:			
None/one	$37,710 (27)	$44,000 (14)	$32,263 (12)
2-5	45,283 (47)	42,336 (22)	48,971 (24)
6-10	58,875 (16)	41,714 (7)	72,222 (9)
More than 10	66,500 (6)	36,000 (2)	81,750 (4)
By sex:			
Female	$34,862 (43)	$28,494 (17)	$39,722 (25)
Male	56,385 (53)	50,964 (28)	64,433 (24)
By ad revenue:†			
Up to $999,999	$29,494 (18)	$31,308 (13)	$27,225 (4)
$1 million-$2,999,999	40,918 (31)	41,627 (15)	40,254 (16)
$3 million-$7,999,999	52,367 (15)	50,125 (8)	54,929 (7)
$8 million-$19,999,999	56,571 (7)	53,250 (4)	61,000 (3)
$20 million and over	74,393 (14)	75,000 (2)	74,292 (12)
By ad pages:†			
Up to 499	$34,036 (25)	$35,000 (14)	$34,590 (10)
500-999	51,902 (32)	43,857 (14)	60,309 (17)
1,000 and over	50,863 (27)	49,364 (11)	51,894 (16)
By circulation:†			
Up to 49,999	$33,558 (34)	$34,976 (25)	$31,445 (8)
50,000-499,999	47,084 (38)	52,158 (19)	43,144 (18)
500,000 and over	64,741 (22)	46,000 (1)	65,633 (21)
By frequency:†			
Weekly/biweekly	$61,786 (14)	$54,000 (8)	$83,600 (5)
Monthly	45,834 (73)	40,194 (33)	51,227 (39)
Other	30,733 (9)	38,250 (4)	24,720 (5)

†Refers to the largest revenue producing magazine on which respondent works

> ***"For the publication it will be an up year. For me personally a down year because of cutbacks in ad budgets in my territory."***
>
> —Ad sales manager with almost 20 years' experience working on a business monthly.

[redacted]

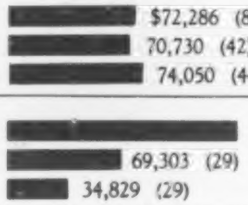
> ***"I think '88 sales will be about even with '87's. The positive effects of the election and Olympics will be offset by the price cutting wars and discount plans. We are reaching a point where the supply of magazines is overtaking the demand from advertisers."***
>
> —Ad sales manager in the Northeast working for a consumer weekly with more than three million circulation.

[redacted]

Sales Presentation

Ad sales manager: Total compensation

Average total compensation*
(The number of respondents is in parentheses.)



	Average total compensation	% increase from '87 to '88
All respondents	$72,286 (87)	12.1%
Business	70,730 (42)	8.4
Consumer	74,050 (44)	15.8
Top one-third	$112,724 (29)	
Middle one-third	69,303 (29)	
Bottom one-third	34,829 (29)	

	Average	Average business	Average consumer
By region:			
Northeast	$75,504 (28)	$82,715 (13)	$69,914 (14)
South Atlantic	73,750 (8)	68,000 (5)	83,333 (3)
Central	67,754 (28)	62,311 (18)	77,550 (10)
Western	73,376 (23)	72,292 (6)	73,759 (17)
By years in the business:			
Up to 3 years	$39,344 (17)	$36,488 (12)	$46,200 (5)
4-10	70,719 (43)	73,917 (18)	68,767 (24)
11-20	93,420 (15)	99,538 (8)	86,429 (7)
Over 20	98,150 (12)	101,500 (4)	96,475 (8)
By no. of employees supervised:			
None/one	$73,780 (22)	$88,250 (11)	$59,309 (11)
2-5	65,776 (46)	62,973 (22)	68,709 (23)
6-10	92,917 (12)	80,250 (6)	105,583 (6)
More than 10	75,000 (7)	44,333 (3)	98,000 (4)
By sex:			
Female	$60,729 (38)	$52,685 (13)	$65,117 (24)
Male	81,248 (49)	78,819 (29)	84,770 (20)
By ad revenue:†			
Up to $999,999	$45,136 (18)	$45,789 (14)	$37,133 (3)
$1 million-$2,999,999	63,196 (25)	64,509 (11)	62,164 (14)
$3 million-$7,999,999	79,385 (13)	77,875 (8)	81,800 (5)
$8 million-$19,999,999	92,357 (7)	99,000 (4)	83,500 (3)
$20 million and over	100,714 (14)	140,000 (2)	94,167 (12)
By ad pages:†			
Up to 499	$49,100 (24)	$49,929 (14)	$46,600 (9)
500-999	76,625 (26)	67,932 (11)	83,000 (15)
1,000 and over	86,592 (25)	90,700 (10)	83,853 (15)
By circulation:†			
Up to 49,999	$54,160 (31)	$53,325 (22)	$55,725 (8)
50,000-499,999	80,885 (34)	89,875 (20)	68,043 (14)
500,000 and over	83,715 (20)	0 (0)	83,715 (20)
By frequency:†			
Weekly/biweekly	$104,792 (12)	$99,250 (8)	$115,875 (4)
Monthly	70,988 (65)	66,540 (29)	74,989 (35)
Other	41,710 (10)	49,400 (5)	34,020 (5)

*Salary plus bonus/commission; excludes people receiving salary only
†Refers to the largest revenue producing magazine on which respondent works

> *"Quality-oriented magazines will have a better year. There's more emphasis on 'added-value' benefits for advertisers."*
>
> —Ad sales manager in the Northeast with more than 20 years' experience, earning about $90,000 in salary and bonus/commission.

[redacted]

> *" '88 will be even. Everyone is playing it close to the vest—month by month."*
>
> —Ad sales manager in the Midwest with 30 years' experience working on a business publication with a circulation of 100,000.

[redacted]

> *"We're really growing. Every issue is a record-breaker. There is a lot of overall growth in our category, too."*
>
> —Ad sales manager in the Northeast working on a consumer publication with a circulation of 225,000.

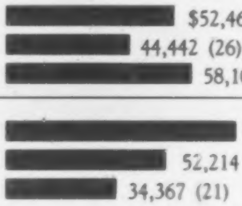
[redacted]

Sales Presentation
Your ads call on new prospects before you even know they exist.

Branch/category manager: Salary

Branch/category manager: responsible for selling ad pages in specific areas or to accounts from specific categories (liquor, tobacco, cosmetics, etc.); may supervise some staff.

Average salaries (The number of respondents is in parentheses.)



		% increase from '87 to '88
All respondents	$52,463 (63)	9.4%
Business	44,442 (26)	14.7
Consumer	58,100 (37)	6.7
Top one-third	$70,810 (21)	
Middle one-third	52,214 (21)	
Bottom one-third	34,367 (21)	

	Average	Average business	Average consumer
By region:			
Northeast	$50,000 (23)	$41,818 (11)	$57,500 (12)
South Atlantic	48,360 (5)	47,167 (3)	50,150 (2)
Central	55,590 (21)	50,000 (8)	59,031 (13)
Western	53,286 (14)	38,500 (4)	59,200 (10)
By years in the business:			
Up to 3 years	$37,690 (10)	$43,167 (6)	$29,475 (4)
4-10	48,671 (28)	40,083 (12)	55,113 (16)
11-20	61,679 (14)	44,500 (5)	71,222 (9)
Over 20	63,818 (11)	64,333 (3)	63,625 (8)
By no. of employees supervised:			
None	$51,138 (29)	$44,714 (14)	$57,133 (15)
One	50,500 (11)	44,500 (5)	55,500 (6)
More than one	55,074 (23)	43,857 (7)	59,981 (16)
By sex:			
Female	$49,704 (23)	$42,000 (6)	$52,424 (17)
Male	54,050 (40)	45,175 (20)	62,925 (20)
By ad revenue:†			
Up to $999,999	$42,417 (6)	$25,667 (3)	$59,167 (3)
$1 million-$2,999,999	44,640 (10)	43,400 (5)	45,880 (5)
$3 million-$7,999,999	53,100 (10)	50,125 (8)	65,000 (2)
$8 million-$19,999,999	55,167 (6)	48,333 (3)	62,000 (3)
$20 million and over	61,425 (16)	54,250 (2)	62,450 (14)
By ad pages:†			
Up to 499	$50,450 (10)	$39,875 (4)	$57,500 (6)
500-999	48,378 (18)	42,400 (5)	50,677 (13)
1,000 and over	56,958 (26)	51,250 (12)	61,850 (14)
By circulation:†			
Up to 49,999	$43,300 (10)	$46,778 (9)	$12,000 (1)
50,000-499,999	45,225 (24)	41,733 (15)	51,044 (9)
500,000 and over	61,493 (28)	54,250 (2)	62,050 (26)
By frequency:†			
Weekly/biweekly	$59,213 (16)	$53,556 (9)	$66,486 (7)
Monthly	52,319 (37)	40,850 (10)	56,567 (27)
Other	42,200 (10)	37,857 (7)	52,333 (3)

†Refers to the largest revenue producing magazine on which respondent works

> ***"My magazine is hot. And magazines in general will do better because TV is overpriced in this Olympics/election year."***
>
> —Ad sales branch/category manager in the Midwest working on a consumer monthly, earning salary and bonus/commission of roughly $90,000.

[redacted]

> ***"We're going to kick the competition's butt this year."***
>
> —Ad sales branch/category manager in the Midwest with 25 years' experience, earning more than $100,000 in salary and bonus/commission.

[redacted]

> ***"In general, '88 will be worse, but not for vertical books. Special interest and trades will do better. Advertisers will be more concerned with target markets than mass markets."***
>
> —Ad sales branch/category manager in the Northeast earning approximately $80,000 in salary and bonus/commission.

[redacted]

Branch/category manager: Total compensation

Average total compensation*
(The number of respondents is in parentheses.)

	Average total compensation	% increase from '87 to '88
All respondents	$75,262 (58)	11.7%
Business	66,021 (24)	15.3
Consumer	81,785 (34)	9.7
Top one-third	$106,174 (19)	
Middle one-third	73,763 (19)	
Bottom one-third	47,320 (20)	

	Average	Average business	Average consumer
By region:			
Northeast	$63,167 (21)	$61,200 (10)	$64,955 (11)
South Atlantic	84,700 (4)	69,833 (3)	129,300 (1)
Central	82,270 (20)	73,071 (7)	87,223 (13)
Western	81,115 (13)	62,875 (4)	89,222 (9)
By years in the business:			
Up to 3 years	$55,690 (10)	$65,167 (6)	$41,475 (4)
4-10	70,796 (28)	58,833 (12)	79,769 (16)
11-20	99,850 (10)	72,500 (3)	111,571 (7)
Over 20	82,750 (10)	90,000 (3)	79,643 (7)
By no. of employees supervised:			
None	$68,111 (27)	$59,607 (14)	$77,269 (13)
One	70,850 (10)	70,000 (5)	71,700 (5)
More than one	86,557 (21)	80,000 (5)	88,606 (16)
By sex:			
Female	$76,885 (20)	$66,667 (6)	$81,264 (14)
Male	74,408 (38)	65,806 (18)	82,150 (20)
By ad revenue:†			
Up to $999,999	$59,900 (5)	$50,667 (3)	$73,750 (2)
$1 million-$2,999,999	58,489 (9)	55,500 (4)	60,880 (5)
$3 million-$7,999,999	75,278 (9)	73,643 (7)	81,000 (2)
$8 million-$19,999,999	93,417 (6)	77,833 (3)	109,000 (3)
$20 million and over	92,300 (16)	84,250 (2)	93,450 (14)
By ad pages:†			
Up to 499	$65,900 (10)	$48,250 (4)	$77,667 (6)
500-999	72,206 (16)	59,875 (4)	76,317 (12)
1,000 and over	83,516 (25)	77,091 (11)	88,564 (14)
By circulation:†			
Up to 49,999	$61,950 (10)	$65,500 (9)	$30,000 (1)
50,000-499,999	69,245 (22)	63,[illegible] [illegible]	77,433 (9)
500,000 and over	85,473 (26)	84,250 [illegible]	85,575 (24)
By frequency:†			
Weekly/biweekly	$83,300 (13)	$80,250 (8)	$88,180 (5)
Monthly	76,551 (35)	61,833 (9)	81,646 (26)
Other	60,300 (10)	55,143 (7)	72,333 (3)

*Salary plus bonus/commission; excludes people receiving salary only
†Refers to the largest revenue producing magazine on which respondent works

> *"The magazine I represent is a new, exciting, vital publication entering a somewhat stale arena. I expect strong growth."*
>
> —Ad sales branch/category manager in the Northeast working on a consumer monthly with 250,000 circulation.

[redacted]

> *"1988 will be better because of a return in strength of several categories that have been light advertisers for the past year or two, plus the election/Olympic year."*
>
> —Ad sales branch/category manager in the Midwest with 10 years' experience earning salary and bonus/commission of about $140,000.

[redacted]

Sales Presentation
Sales Presentation

Ad sales person: Salary

Advertising sales person (may be called account executive): calls on clients and agencies; makes presentations; maintains current accounts; develops new accounts.

"I'm upbeat about the economy. But there's increased competition among advertisers."

—Ad sales person in the Northeast earning roughly $70,000 in salary and bonus/commission.

[redacted]

"I think this year will be slightly better than 1987 only because of our staff's work ethic. We'll extract more ad space via hard work—not due to better market conditions."

—Ad sales person from the Northeast with five years' experience, earning more than $35,000 in salary and bonus/commission.

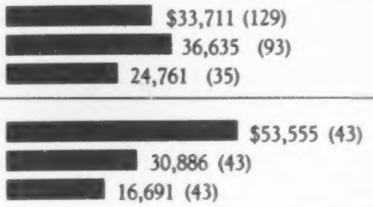
[redacted]

"Our trade journal is new to the industry. I can't wait for it to take off! This will be a much better year."

—Ad sales person with less than a year's experience, earning approximately $10,000 in salary and roughly $25,000 in bonus/commission.

[redacted]

Average salaries (The number of respondents is in parentheses.)



		% increase from '87 to '88
All respondents	$33,711 (129)	8.2%
Business	36,635 (93)	7.3
Consumer	24,761 (35)	12.3
Top one-third	$53,555 (43)	
Middle one-third	30,886 (43)	
Bottom one-third	16,691 (43)	

	Average	Average business	Average consumer
By region:			
Northeast	$36,558 (53)	$37,646 (38)	$30,859 (14)
South Atlantic	28,418 (11)	37,000 (7)	13,400 (4)
Central	34,759 (40)	36,375 (33)	27,143 (7)
Western	26,874 (23)	32,854 (13)	19,101 (10)
By years in the business:			
Up to 3 years	$25,223 (57)	$27,594 (37)	$20,837 (20)
4-10	36,519 (50)	39,873 (39)	24,627 (11)
Over 10	49,318 (22)	48,882 (17)	44,750 (4)
By no. of employees under respondent's supervision:			
None	$33,869 (125)	$37,000 (91)	$23,989 (33)
One or more	28,750 (4)	20,000 (2)	37,500 (2)
By sex:			
Female	$26,800 (61)	$28,926 (37)	$23,522 (24)
Male	39,910 (68)	41,728 (56)	27,464 (11)
By ad revenue:†			
Up to $999,999	$18,209 (18)	$18,781 (12)	$17,067 (6)
$1 million-$2,999,999	32,647 (34)	33,855 (29)	25,641 (5)
$3 million-$7,999,999	37,243 (22)	40,045 (19)	19,500 (3)
$8 million-$19,999,999	50,520 (20)	50,906 (17)	35,000 (2)
$20 million and over	46,857 (7)	44,800 (5)	52,000 (2)
By ad pages:†			
Up to 499	$30,869 (29)	$33,433 (21)	$24,138 (8)
500-999	32,388 (35)	35,784 (22)	26,641 (13)
1,000 and over	39,954 (41)	43,879 (34)	20,886 (7)
By circulation:†			
Up to 49,999	$29,871 (47)	$32,944 (39)	$14,888 (8)
50,000-499,999	34,156 (68)	39,043 (49)	21,554 (19)
500,000 and over	44,645 (11)	47,275 (4)	43,143 (7)
By frequency:†			
Weekly/biweekly	$41,053 (19)	$44,053 (17)	$15,553 (2)
Monthly	33,225 (94)	35,435 (67)	25,924 (26)
Other	27,821 (14)	33,000 (8)	20,917 (6)

†Refers to the largest revenue producing magazine on which respondent works

Ad sales person: Total compensation

Average total compensation*
(The number of respondents is in parentheses.)

		% increase from '87 to '88
All respondents	$54,026 (122)	12.1%
Business	60,803 (83)	9.8
Consumer	36,765 (38)	21.7
Top one-third	$87,518 (40)	
Middle one-third	48,591 (41)	
Bottom one-third	26,787 (41)	

	Average	Average business	Average consumer
By region:			
Northeast	$54,761 (52)	$57,150 (37)	$41,824 (14)
South Atlantic	64,259 (11)	87,500 (6)	36,370 (5)
Central	54,500 (36)	62,000 (26)	35,000 (10)
Western	44,681 (21)	54,883 (12)	31,077 (9)
By years in the business:			
Up to 3 years	$39,033 (54)	$45,439 (31)	$30,399 (23)
4-10	60,861 (47)	66,918 (36)	41,036 (11)
Over 10	77,286 (21)	76,813 (16)	61,625 (4)
By no. of employees under respondent's supervision:			
None	$54,393 (119)	$61,118 (82)	$36,488 (36)
One or more	39,500 (3)	35,000 (1)	41,750 (2)
By sex:			
Female	$43,295 (58)	$52,255 (31)	$33,008 (27)
Male	63,752 (64)	65,899 (52)	45,987 (11)
By ad revenue:†			
Up to $999,999	$28,869 (16)	$30,333 (9)	$26,986 (7)
$1 million-$2,999,999	48,641 (32)	50,858 (26)	39,034 (6)
$3 million-$7,999,999	65,593 (20)	68,964 (18)	35,250 (2)
$8 million-$19,999,999	84,732 (19)	85,150 (16)	50,000 (2)
$20 million and over	77,929 (7)	83,800 (5)	63,250 (2)
By ad pages:†			
Up to 499	$46,628 (25)	$51,124 (17)	$37,075 (8)
500-999	46,702 (31)	53,597 (18)	37,156 (13)
1,000 and over	66,613 (43)	75,350 (34)	33,606 (9)
By circulation:†			
Up to 49,999	$42,726 (52)	$49,309 (37)	$26,486 (15)
50,000-499,999	61,007 (58)	69,467 (43)	36,752 (15)
500,000 and over	63,460 (10)	78,367 (3)	57,071 (7)
By frequency:†			
Weekly/biweekly	$74,486 (17)	$80,827 (15)	$26,928 (2)
Monthly	52,075 (90)	57,266 (61)	37,356 (28)
Other	42,089 (14)	48,714 (7)	35,464 (7)

*Salary plus bonus/commission; excludes people receiving salary only
†Refers to the largest revenue producing magazine on which respondent works

> *"Unfortunately, I see a downturn in ad sales. Clients seem uncertain as to the future. Many budgets are on hold, while others are cut. Schedules for '88 were late in coming."*
>
> —Ad sales person earning approximately $75,000 in salary and bonus/commission.

[redacted]

> *"We'll have problems this year. Staff dissatisfaction has led to high turnover, low morale. We've seen constant rate hikes, but smaller commissions are being paid, and we get no bonuses or incentives."*
>
> —Ad sales person in the Northeast earning approximately $25,000 in commission only.

[redacted]

Sales Presentation

Average annual bonus/commission

"We're a hot book with tremendous momentum as reflected by an avalanche of new contracts for 1988."

—Ad sales director with 32 years' experience, working on a business weekly, earning roughly $150,000 in salary and bonus/commission.

[redacted]

"For us '88 will be better. The regional business-to-business magazine concept is gaining momentum and is being accepted by larger companies that are looking to target a market on a more cost-effective basis."

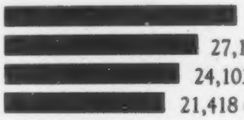
—Ad sales director with more than 15 years' experience working on a business publication, earning more than $30,000 in salary only.

[redacted]

Sales Presentation
Who needs right-hand far-forward when they read it cover to cover?

Average bonus/commission

(The number of respondents is in parentheses.)



	Average bonus/commission	% increase from '87 to '88
Ad sales director	$30,384 (110)	7.6%
Ad sales manager	27,164 (87)	17.4
Branch/category manager	24,103 (58)	24.0
Ad sales person	21,418 (122)	21.6

	Ad sales director	Ad sales manager	Branch/ category manager	Ad sales person
By magazine type:				
Consumer	$27,616 (51)	$23,614 (44)	$26,000 (34)	$16,762 (38)
Business/professional	31,617 (58)	30,101 (42)	21,417 (24)	22,934 (83)
By incentive based on:				
Commission	$30,403 (67)	$33,565 (46)	$21,869 (21)	$23,107 (81)
Sales bonus	24,644 (33)	19,583 (30)	22,371 (29)	14,414 (32)
Both	54,389 (9)	21,175 (10)	36,250 (8)	36,286 (7)
By region:				
Northeast	$30,973 (47)	$26,957 (28)	$17,500 (21)	$19,000 (52)
South Atlantic	35,098 (15)	36,375 (8)	40,500 (4)	38,114 (11)
Central	20,558 (26)	26,668 (28)	26,150 (20)	20,819 (36)
Western	37,405 (21)	24,815 (23)	26,577 (13)	19,509 (21)
By years in the business:				
Up to 3 years	$22,035 (23)	$16,615 (17)	$18,000 (10)	$16,277 (54)
4-10	29,025 (56)	26,314 (43)	23,446 (28)	24,223 (47)
11-20	32,205 (22)	38,887 (15)	37,100 (10)	27,800 (15)
Over 20	60,250 (8)	30,500 (12)	19,050 (10)	29,750 (6)
By sex:				
Female	$23,169 (47)	$26,276 (38)	$29,125 (20)	$19,891 (58)
Male	35,767 (63)	27,852 (49)	21,461 (38)	22,801 (64)
By ad revenue:†				
Up to $999,999	$17,195 (31)	$22,864 (18)	$22,000 (5)	$15,844 (16)
$1 million-$2,999,999	34,304 (40)	24,748 (25)	13,889 (9)	16,375 (32)
$3 million-$7,999,999	32,455 (22)	25,731 (13)	20,722 (9)	27,525 (20)
$8 million-$19,999,999	49,778 (9)	35,786 (7)	38,250 (6)	32,658 (19)
$20 million and over	25,000 (3)	26,321 (14)	30,875 (16)	31,071 (7)
By ad pages:†				
Up to 499	$19,426 (33)	$21,813 (24)	$15,450 (10)	$14,940 (25)
500-999	32,077 (41)	22,010 (26)	22,906 (16)	16,151 (31)
1,000 and over	41,391 (23)	33,660 (25)	28,480 (25)	29,215 (43)
By circulation:†				
Up to 49,999	$26,802 (43)	$23,395 (31)	$18,650 (10)	$16,917 (52)
50,000-499,999	33,278 (53)	34,956 (34)	23,773 (22)	25,573 (58)
500,000 and over	29,444 (9)	19,850 (20)	26,481 (26)	16,450 (10)
By frequency:†				
Weekly/biweekly	$28,643 (14)	$38,958 (12)	$25,500 (13)	$31,309 (17)
Monthly	32,590 (72)	27,004 (65)	25,300 (35)	20,477 (90)
Other	21,807 (22)	14,050 (10)	18,100 (10)	16,054 (14)

†Refers to the largest revenue producing magazine on which respondent works

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summit. What's more, a wide range of start-up magazines may soon hit the stands, now that desktop technology can output everything from type to color separations. **21**

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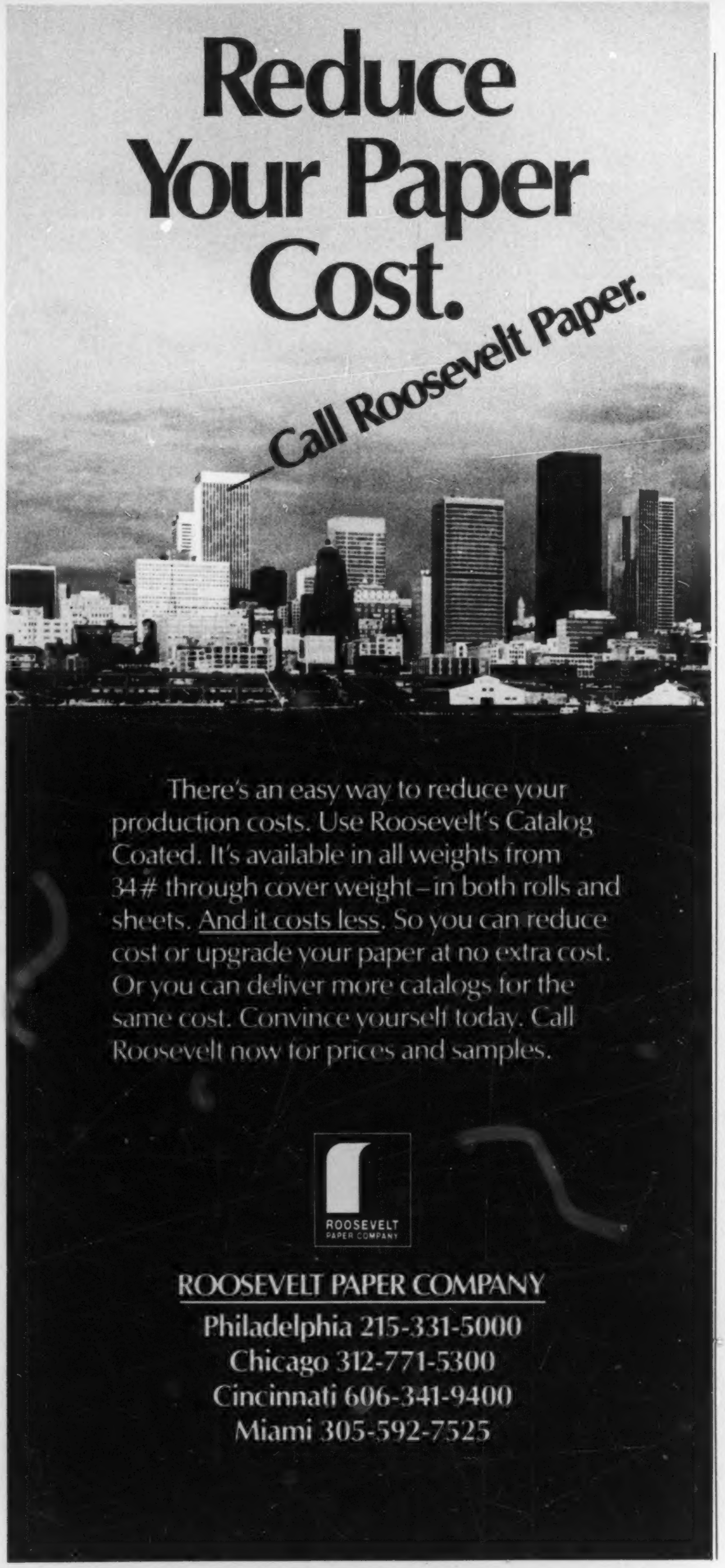

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ADI network targets spot markets

National titles entice new advertisers with regional buys

Working Woman/McCall's Group and *People* are in hot pursuit of newspaper and local/spot television ad budgets. The groups have created a women's print network, ADI Networks, that offers virtual blanket coverage in 10 regional markets.

Many observers are impressed with the broad reach claimed by ADI Networks, which recently introduced its Women's Lifestyle Network. Combined circulation in the network's 10 markets is greater than 2.2 million, through newsstands and subscriptions. With the four magazines—*Working Woman, Working Mother, McCall's* and *People*—ADI "has put together a mix that should reach virtually every woman in a particular market," says Bonnie Axthelm, vice president, business development, 3M Media Networks, Inc. (MNI).

What Doctors Know Now
McCall's
WORKING WOMAN
CAREER CHARISMA
People
OH MY STARS!
GET YOUR BOSS TO HELP WITH CHILD CARE COSTS
Working Mother

***Regional advertisers** are expected to be heavy users of the Lifestyle Network.*

Although several national women's networks are marketed by such publishers as Conde Nast and The Hearst Corp., none reaches into local markets. The Lifestyle Network also offers a broader range among local women than the individual spot market buys offered by MNI. That company, founded by Working Woman/McCall's Dale Lang, who sold it in 1977, sells spot ads in participating national magazines.

Prices vary with market

Ad rates in ADI's Lifestyle Network are priced according to the local markets, with CPMs averaging between $50 and $60. In Boston, for example, where the ADI rate base is 338,000, a one-time four-color page costs $16,895. That includes a full page in each of the Working Woman/McCall's monthlies and two pages in weekly *People*. A six-time buy in Minneapolis/St. Paul, rate base 214,000, costs $67,800 for 30 full pages. ADI accepts only full-page ads.

An advertiser, claims ADI general manager Floyd Sembler, can run five pages in the Lifestyle Network's national magazines for less than the cost of a full page in the local newspaper.

"This is a way for these magazines to get new advertisers who could normally not afford them," concludes Michael Gross, vice president, associate media director at J. Walter Thompson.

Sembler sees about 50 percent of ADI's ad revenue coming from national advertisers wanting to test new products in local markets, add distributor support or promote heavier sales in a particular market. The network is targeting about 15 ad categories, and food, apparel and book advertisers have shown interest, he says.

The other half of revenues will come from local advertisers, such as auto dealerships and associations, upscale consumer retailers and department store chains. About half that business could be co-op advertising, says Sembler. Available co-op funds, he claims, total $8 billion.

Participating magazines will spend nothing for the network. ADI will operate as a separate division, selling and producing independent advertising inserts, then supplying printing plant binderies with completed signatures in four-page units. ADI handles all billing and collections and pays the magazines their shares of the revenues.

ADI expects gross revenues to reach $3 million this year and $20 million in 1989, when the network will expand to 20 markets.

Outside of ADI, MNI remains the only organization that sells regional market space in national magazines. MNI, now with nine networks, has seen steady but undramatic growth in ad revenue over recent years. Its Home Network, composed of *House Beautiful, Metropolitan Home* and the "Super Spot" edition of *Better Homes and Gardens*, competes somewhat with ADI, but has a specific focus on homes.—*P.F.*

Media and libel: Rising losses

More than three-quarters of jury trials lost; courts uphold first $3 million award

The media are increasingly losing libel trials. During the mid 1980s, media defendants in court—including broadcast and print media—lost 72 percent of libel trials, compared to 54 percent during the early part of the decade, according to a study recently released by the Libel Defense Resource Center (LDRC).

Moreover, libel awards have increased. Media defendants now pay about 20 percent more in damages than they did in the early eighties.

The LDRC, a libel research organization supported by media groups, tracked 61 libel trials, at all judiciary levels, from 1984 through 1986. Six of those trials involved magazines, while 40 involved newspapers.

The greatest factor in deciding libel trials appears to be juries. About 95 percent of all libel trials come before juries, and media defendants lose 78 percent of those cases.

Observers blame the losses, in part, on the fact that many cases are dramatized in the courtroom and many jurors tend to sympathize with the injured, says Henry Kaufman, LDRC general counsel. Furthermore, "Jurors are not fully educated by the lawyers or the judge in the complexities of libel law," he asserts. "The jury can only handle the material given them."

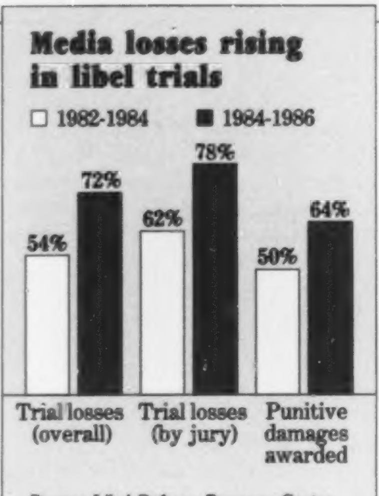
Complicating the matter is the generally poor reputation the media has had in the 1980s. "There's a trend toward not only a dislike of the media, but an open hostility toward it," asserts Glen Evans, president of the American Society of Authors and Journalists. "That is reflected in the outcome of these trials."

Kaufman, however, is careful to add that his studies have not borne this out. "Although some jurors indicate some preconceptions toward the media," he notes, "we really haven't found that that kind of bias has been a primary factor."

Million dollar awards up

Damage awards during the 1984-86 study period averaged $1.1 million, down from the $2 million-plus average of the previous two years. Kaufman is quick to point out, though, that the reduction is misleading: Much of the decline is due to a few exceptionally large awards during the early 1980s. During the mid eighties, in fact, juries awarded a greater number of million dollar awards. More than 40 percent of all damage awards now total $500,000 or more.

On the positive side, media defendants remain fairly effective at overturning and reducing awards during appeal—where the negative predispositions of a jury do not come into play. During appeal, courts generally subscribe more strictly to rulings, such as *New York Times Co.* v. *Sullivan*, that give the media greater First Amendment protection, says Harry Johnston, legal counsel for Time Inc. and chairman of LDRC. The *Times* case established the "actual malice" standard for libel cases.



Source: Libel Defense Resource Center

***Why the increase** in libel losses? Some blame rising hostility against the press and jury misunderstanding of libel law.*

Currently, the average damage award upheld on appeal is $145,550—nearly a 20 percent increase from the early 1980s.

Until recently, every award over $1 million had been overturned on appeal. The April decision of *Brown & Williamson* v. *CBS*, however, allowed the plaintiffs $3.05 million—some four times larger than any other upheld award. The case involved a television newscast and commentary on a Federal Trade Commission investigation of an alleged plan by the makers of Viceroy cigarettes to appeal to youthful smokers.

"I don't think it will open the floodgates for multimillion dollar awards," Kaufman says. He adds, however, that, although the libel case was not typical—most cases involve individuals as plaintiffs, not corporations—the million-dollar barrier has been breached.

Many media libel experts were confused by the U.S. Supreme Court's choice not to hear the case and let the award stand. The Supreme Court, in its recent *Hustler* v. *Jerry Falwell* decision, "reaffirmed the very strong First Amendment principles set down in the past," says Kaufman. "But in practice, the media is not getting the kind of protection you would expect with all of these important principles at stake." The *Hustler* case protected the media from suits involving parodies and "outrageous" speech.

The next LDRC study, Johnston notes, will probably contain fewer libel trials. A recent Supreme Court decision reaffirmed trial judges' ability to dismiss certain libel cases with summary judgment.—*P.F.*

High-tech services connect readers and advertisers

800 numbers and computer systems expand the power of the print ad

Reader service is moving into the electronics age: Today's readers are not only able to phone for reader service information, but are also able to leave their names and addresses for advertisers, hear recorded messages and receive product information by personal computer. Meanwhile, publishers are using the same service to renew subscriptions and conduct reader research.

New York Woman is the first consumer magazine to use Touch Tone Ads as a merchandising tool, promoting the service for such retailers as Chanel, Ann Taylor, Fratelli Rosetti, Burberry's and Benetton. The round-the-clock 800 number supplies 30 seconds of information on the advertised product. After dialing the magazine's 800 number, readers press the four-digit number of the advertiser they want to contact.

The recorded messages, says Alan Adler, president of Touch Tone Access, keep readers focused far longer than the three to 10 seconds readers generally spend on print ads alone.

The ads help overcome the monthly's "lack of immediacy," explains *New York Woman* publisher Julie Lewit Nirenberg. "Retailers want to be in newspapers, radio or weekly publications." Furthermore, the phone service enables retailers to handle incoming calls more efficiently than is possible

Business press '88

(CONTINUED FROM PAGE 21)

points, based entirely on rate increases.

Penton Publishing, Inc., which has 22 magazines largely in machine industries, is also struggling to make page gains. President Sal F. Marino reports that first quarter ad pages were down 2 percent, but sees the second quarter looking better. He's crossing his fingers that pages will be up slightly, from 35,000 to 36,000, by the end of the year. Ad revenues will be up 8 percent, to $145 million, he projects.

"What's improving is share of market, not the markets," he says.

And the winners are . . .

Who's doing well? Among the publishers reporting good business is Richard Groves, president, Andrews Communications. For the first six months, ad pages for the company's two electrical titles were up 13 percent and revenues up 20 percent.

And Groves is expecting a better second half. Reasons: improved market share and improved markets.

Pages are up a whopping 30 percent in the first half for Miramar Publishing Co., which has four magazines in the rental equipment, home health care and special events/parties areas. Revenues are up 35 percent, says president Tom Novoselski, who admits he's "making pages on market share."

Furthermore, he adds, "I'm talking revenue, not profits. We've invested a great deal in the ad sales force and promotion to get those pages."

For Edgell Communications Inc., the first quarter was a little slower than projected, but still up from last year, says Richard Moeller, president. Pages for the more than 100 magazines should be up between 3 percent and 5 percent and revenues up 3 percent to 10 percent.

At Gorman Publishing, "We're on a roll," says president/CEO William Gorman. Pages for the five food titles "are equal to or above last year and the net per page is better than expected. Revenues will be up 5 percent to 10 percent for the first half of the year. We've been through a tough two years and things are looking better."

Why the increases? "Operating improvements," he says, "rather than market share."

Others who report a good year include Miller-Freeman, Times Mirror and Vance Publishing.

Novoselski admits he is doing much better than most publishers he knows. As president of the 200-member Western Publishers Association, he notes that "most of the WPA members are flat in pages or have very minor increases."

In summing it up, "I get mixed reviews," says Ivan Innerfeld, an accountant with a good many magazine clients. "Everyone's being very careful about making estimates."—*B.L.*

Ad spending concentrated among few

Some advertisers report substantial shifts in magazine spending

Just 100 advertisers contributed more than half of the $5.4 billion in ad revenue carried last year by the 147 magazine members of the Publishers Information Bureau (PIB). These top advertisers invested $2.79 billion in consumer magazines, according to the "Magazine Almanac," a special issue of Magazine Publishers of America's (MPA) "Newsletter of Research."

What's more, 180 new consumer launches last year began chasing those ad dollars, MPA reports. The largest category, city and regional titles, accounted for 20 start-ups; business/financial followed with 16; travel with 14; sports with 12; and health with 11 1987 launches.

Overall, the number of magazine titles—business and consumer—grew to 11,593 last year, up 8.5 percent from 1982. About 1,880 consumer and farm magazines were listed with Standard Rate & Data Service.

As a whole, consumer magazines relied largely on a relatively small number of advertisers for support. More than half of the ad dollars spent in PIB titles came from six categories: automotive, business and consumer services, toiletries and cosmetics, mail order, food and tobacco.

The biggest spender was cigarette manufacturer Philip Morris Companies, which poured $243 million into magazines last year. Rival RJR Nabisco, ranked fourth among magazine advertisers, spent $106 million. The big three automakers, General Motors, Ford Motor Company and Chrysler Corporation, ranked second, third and fifth, spending a combined total of $380 million on magazines.

Ten companies accounted for nearly 40 percent of the $407 million spent by the top 50 mail-order advertisers. About one in three was a publisher. Similarly, 10 companies supplied 30 percent of the $360 million spent by the top 50 corporate advertisers.

A number of advertisers made major shifts toward magazines last year. Honda, DuPont and Johnson & Johnson led a list of 50 major advertisers that increased magazine advertising by at least 30 percent during 1987. This amounted to an additional $239 million for magazines—a 62 percent increase over 1986 spending for those 50 combined. MPA did not report on advertisers cutting back on magazines.

On the negative side, only 21 of the 87 advertising agencies tracked by MPA spent a quarter or more of their billings in magazines. Just a handful, furthermore, billed more than 40 percent to magazines. Among the latter were Warwick Advertising (67 percent), Hesselbart & Mitten Cos. (43 percent) and AC&R Advertising (41 percent).□

Top magazine advertisers, 1987

Company	Ad dollars in magazines
Philip Morris Cos.	$243,330,766
General Motors Corp.	153,984,008
Ford Motor Co.	125,491,158
RJR Nabisco, Inc.	105,965,696
Chrysler Corp.	100,446,621
Procter & Gamble Co.	79,589,956
AT&T	76,269,702
Unilever NV	58,258,868
Time Inc.	51,403,120
Grand Metropolitan	50,661,577

Source: Magazine Publishers of America

***A handful of top magazine advertisers** outspent the vast majority of advertisers by a wide margin, as seen in the spending differences among the top 10.*

on topics ranging from automobiles to food engineering. The April program gave the company's 120 editors a chance to hone their skills at a daylong series of workshops.

Chilton's editorial board—composed of the top editors of each magazine—conceived the idea after numerous unsuccessful attempts to set up in-house training seminars for small groups of editors.

Editors' travel commitments inevitably conflicted with the training sessions, says board chairman Jerry Standley, editor in chief of *Commercial Carrier Journal*. "Historically, you couldn't count on attendance."

For that reason, board members decided to restructure the sessions into a single, one-day event for all editors. They hired top journalists and editors from outside the company to conduct nine workshops on topics requested by Chilton editors. Hotel space was rented to house the workshops, and the company's annual editorial awards banquet completed the program. The board requested that each magazine commit its editors to attending the event.

Getting 'the big story'

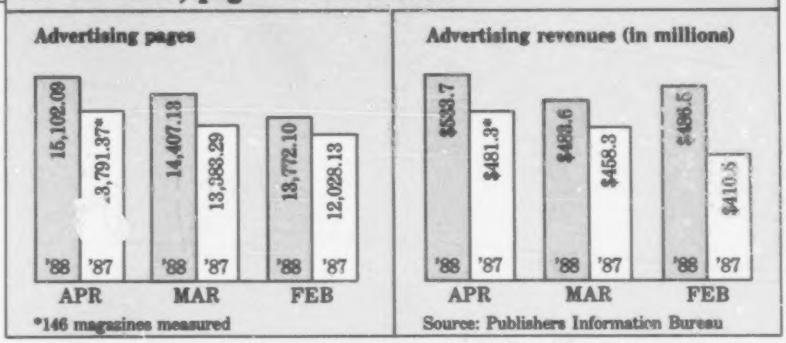
Workshop topics focused on interviewing, layout and design, electronic and video publishing, new product evaluation, and getting "the big story." Speakers included Pulitzer Prize-winning journalists from the Philadelphia *Inquirer*, the editorial director of *Consumer Reports*, and national magazine consultants and designers.

The awards banquet, a yearly Chilton event, gave honors and cash prizes to company editors who competed in 10 categories.

Total costs for the day ran well into five figures, says Standley. The company's top editors, moreover, volunteered time and effort to coordinate the project. Yet, even before the first Editorial Day was over, the board agreed to make it an annual event.

"The only way to get training done, and to get recognition for people, is to do something like this," Standley says. "It's not that you have to spend money, but you have to make the effort. We happen to have a president and management that says we do value editorial excellence and we're going to do something about it. The proof is in the pudding."☐

PIB revenues, pages continue climb



*146 magazines measured

Source: Publishers Information Bureau

***Ad revenue for the first four months totaled $1.8 billion** for the 155 magazines measured by the Publishers Information Bureau—an 11.2 percent increase over last year. The year to date page total came to 53,223.50, up 5.5 percent.*

Watch out *Adweek*—*Spy* has hit town

When it comes to New York City's social set, the satirical *Spy* is perhaps nobody's darling. After all, this magazine doesn't miss a chance to shoot yet another barb at Pat Buckley, Donald Trump or any other Manhattan heavyweight.

But the magazine is, oddly enough, becoming the new darling of many media advertisers. Its March 1988 issue added several magazine accounts—including *Time, People, Sports Afield* and *Harper's Bazaar*—totaling 14 pages. Nearly as many pages ran in its May issue.

Why the rush of media ads? Nearly 40 percent of the magazine's readership works in media and communications, says publisher Thomas Phillips Jr. Part of the attraction is that *Spy* likes to jab the media: Regular columns poke fun at *The New York Times* and at movie and media critics for *The New Yorker, Gentlemen's Quarterly, The Daily News* and *The Village Voice*, among others.

Rolling Stone was first to buy space last year, followed by *Cosmopolitan*. But the real thrust for media ads began at the end of 1987, when Ellen Falb came on board as *Spy*'s advertising director. Falb had handled *New York*'s media and corporate advertising accounts, and quickly beefed up *Spy*'s client roster.

There is some hint, though, that the *Spy* buy may be something of a passing novelty. *Cosmopolitan* publisher Seth Hoyt has stopped advertising in *Spy* because too many others have jumped on the bandwagon.

"The buy isn't quite as exciting," he says, adding that he may be persuaded to go back if the magazine can find a way for *Cosmopolitan* to stand out from the crowd.☐

SPY
THE FILOFAX GENERATION...
I'm O.K.
IT'S MURDER A-GO-GO
HOLLYWOOD'S
MON WISDOM
SPORTS AFIELD

***Spy** might be the brat of the New York press, but it does point media buyers to a good number of print opportunities.*

Business Research Group, formed this spring, will provide attitude information on the users and buyers of certain technologies, says William Ford, vice president and general manager.

Initial research will focus on buyers of information technology, including computer hardware, software and peripherals. Eventually, the division will research the attitudes of those who buy construction equipment and other business products. The division will survey not only the decision makers in a company, but all personnel involved in buying equipment and systems.

Focusing on buyers' attitudes may be foreign to many technical manufacturers, but is common in the consumer field, Ford says. "Procter & Gamble spends a lot of money understanding its clients," he notes. "It wants to know when you wash your dishes." Technical fields, now maturing, need to concentrate on their customers in the same way, he adds.

Ford would not disclose Cahners' start-up costs for the new research group, nor its revenue projections for 1988.

Cahners is a division of Reed International, a communications company based in the United Kingdom.☐

Architects take on New York newsstands

Next target of New York City gentrification: the sidewalk news shack, hung with its laundry line of magazines.

The current level of newsstand design is "minimal," asserts Bartholomew Voorsanger, a vice president of the New York City chapter of the American Institute of Architects (AIA). For that reason, the New York City chapters of the AIA and the Industrial Designers Society of America (IDSA) have set up a joint contest, NEWSSTAND88, to improve the design.

Winning designs will "respond to the functional and human needs in the city and fulfill the potential of newsstands to visually enhance the local urban environment," according to the AIA. Or, as Voorsanger puts it, "*beautiful, but affordable and practical.*"

Entering teams must consist of at least one designer and one architect. The City of New York has agreed to build a prototype of the winning design to be used on the streets. In addition, entries will be exhibited at a New York City gallery; a catalog of entries may also be produced.

MICHAEL GARRY

***Headed for extinction?** New York architects hope so, as they actively pursue a more aesthetic newsstand design.*

Ten finalists, including the winning design, will be chosen by a panel of three industrial designers, three architects, three city officials and one representative of the newsstand industry. The winner will be announced in August.

Currently, newsstand operators design and build the newsstands they use, subject to the City's approval. Each costs between $9,000 and $14,000, and some 300 occupy the streets of New York. Voorsanger hopes a variety of usable designs will emerge from the contest.☐

No improvement in delivery of monthlies

About 72 percent of monthly publications were delivered late during first quarter 1988, a score that echoed the poor results of last quarter 1987. New Orleans scored worst, with 30 percent of monthlies delivered at least one week late. Second worst was Buffalo, delivering 25 percent at least one week late. San Francisco had the best score, with 68 percent of monthlies on time or better. Phoenix, which had been number one, still boasts a 67 percent on-time or better score. The scores reflect delivery time from each city to Postal Zones 1 and 2.

Delivery box score:
Monthly publications, January 1-March 31, 1988

City/Zip Code	Better than USPS standard	Service standard	1-6 days late	Later
Composite average*	11%	17%	64%	8%
Boston (021)	14	13	69	4
New York (100)	4	28	64	4
Buffalo (142)	0	12	63	25
Pittsburgh (152)	6	20	72	2
Philadelphia (191)	8	11	61	20
Washington, D.C. (200)	0	3	80	17
Atlanta (303)	4	29	60	7
Miami (331)	21	29	43	7
Memphis (381)	10	4	65	21
Cincinnati (452)	5	24	65	6
Detroit (482)	5	9	86	0
Milwaukee (532)	0	7	89	4
Minneapolis (554)	13	32	55	0
Chicago (606)	15	14	69	2
New Orleans (701)	0	0	70	30
Dallas (752)	4	31	62	3
Houston (770)	12	13	70	5
Denver (802)	23	20	57	0
Phoenix (850)	34	33	33	0
Los Angeles (900)	2	4	75	19
San Francisco (941)	20	48	28	4
Seattle (981)	30	20	30	20

*Includes other U.S. cities and SCFs not listed
Source: Red Tag News Publications Association, Inc.

Late delivery of weeklies climbs to 59%

Late delivery of weeklies increased from 52 percent in last quarter 1987 to 59 percent in first quarter 1988. San Francisco is still in first place, with a 65 percent on-time score. Minneapolis is a close runner-up, delivering 62 percent of weeklies on time. New Orleans continues to have the worst record, delivering 64 percent of weeklies more than one day late. Memphis, delivering 38 percent at least one day late, is second worst. The scores reflect delivery time from each city to Postal Zones 1 and 2.

Delivery box score:
Weekly publications, January 1-March 31, 1988

City/Zip Code	On time	1 day late	Later
Composite average*	41%	29%	30%
Boston (021)	41	31	28
New York (100)	51	29	20
Buffalo (142)	53	29	18
Pittsburgh (152)	30	35	35
Washington, D.C. (200)	42	28	30
Atlanta (303)	42	29	29
Miami (331)	41	30	29
Memphis (381)	35	27	38
Cincinnati (452)	31	41	28
Detroit (482)	49	31	20
Milwaukee (532)	52	29	19
Minneapolis (554)	62	27	11
Chicago (606)	45	30	25
New Orleans (701)	15	21	64
Dallas (752)	38	35	27
Houston (770)	37	35	28
Denver (802)	33	32	35
Phoenix (850)	36	32	32
Los Angeles (900)	53	24	23
San Francisco (941)	65	19	16
Seattle (981)	55	22	23

*Includes other U.S. cities and SCFs not listed
Source: Red Tag News Publications Association, Inc.

Computer Briefs

Letraset is offering **ImageStudio image processing software** for Macintosh users. Desktop publishers can paint, draw, edit and manipulate images digitized by high-resolution scanners. They can remove unwanted objects from a photo, soften or sharpen edges, alter brightness and contrast and move picture elements. Modified images can then be imported into page layout applications, such as Ready,Set,Go! 4.0. With 64 shades of gray available, users can produce camera-ready halftones and take advantage of the full capabilities of sophisticated gray-level scanners and high-resolution output devices. Price: $495. Write: Letraset USA, 40 Eisenhower Dr., Paramus, N.J. 07653. Telephone: 201-845-6100.

Apple Computer has introduced two new **desktop laser printers utilizing Adobe's PostScript** page description language. Price: $4,599, LaserWriter IINT; $6,599, LaserWriter IINTX. Write: Apple Computer, Inc., Ronni Sarmanian, M/S 36I, 20330 Stevens Creek Blvd., Cupertino, Calif. 95014. Telephone: 408-973-5139.

Aldus FreeHand, a **PostScript-language drawing program for the Apple Macintosh,** is now available. Basic drawing tools and templates are included, and the freehand tool enables users to trace existing artwork or sketch original illustrations by dragging the mouse. Other features include the ability to scale, rotate, reflect and skew both graphics and text. Users can also incorporate multiple typefaces, sizes and colors in a single text block and string text along paths such as wavy lines or curves. Aldus FreeHand also allows users to apply spot colors, tints or process colors (CMYK) to any drawing, and produce color separations with printers or imagesetters that use PostScript. Price: $495. Write: Aldus Corporation, 411 First Ave. South, Suite 200, Seattle, Wash. 98104. Telephone: 206-628-2352.

XYquest, Inc., is distributing file conversion software for XyWrite III Plus that allows **XyWrite documents to be converted to and from DCA (Document Content Architecture) Revisable Form Text (DCA.RFT).** The new programs provide greater flexibility for XyWrite users to interface with users of other word processing packages. Registered XyWrite III Plus owners can receive the programs at no charge. Write: Xyquest, Inc., 44 Manning Rd., Billerica, Mass. 01821. Telephone: 617-671-0888.

Compugraphic Corporation is offering Release 2.0 for its Compugraphic Automated Publishing System (CAPS), now running on the latest high-speed Sun-3 workstation. The new **CAPS systems** are priced 15 percent to 30 percent below previous systems and deliver twice the effective speed of the systems they replace. In addition, the new systems feature improved networking capability and enhanced applications. Write: Compugraphic Corporation, 200 Ballardvale St., Wilmington, Mass. 01887. Telephone: 617-658-5600.

Marketing Briefs

ABSOLUT
PARTICIPATION

Trendsetting *Spy* magazine celebrated its long-standing affinity with Absolut vodka by sponsoring an **"Absolut Participation"** contest for readers. The contest invites readers to design their own Absolut ad on a blank inserted in the March issue. Six watercolors are print-

Special report: Magazine cover paper

As new advertising and circulation cover opportunities arise, the choices of cover stocks, configurations and finishes are changing

BY NORMAN WIENER

Many magazine publishers still regard the magazine cover simply as an editorial and graphic place to present—either literally or conceptually—the current month's editorial features. However, as a result of changes in binding capabilities and postal regulations, a growing number of publishers are discovering that the magazine cover is fertile new ground for editorial and advertising development.

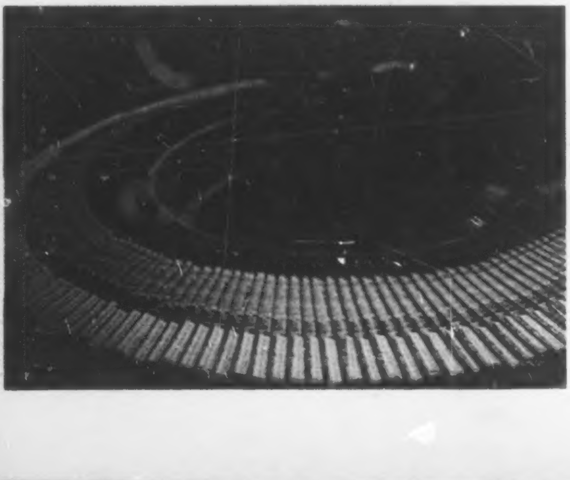
In cooperation with FOLIO: magazine, Walker Wiener Associates (WWA), a Briarcliff Manor, New York-based market research firm specializing in paper, printing and print media, undertook a detailed investigation of the changing role of magazine covers. WWA's research in this area was based on three distinct efforts:

- A mail survey that was conducted among a sample of major consumer and business magazine publishers. (For an explanation of the characteristics of the sample, see sidebar.)
- Additional interviews with a handful of magazine publishers.
- A review of several thousand magazine covers at the Eastern Newsstand in New York's Pan Am Building.

1. Trends to watch

Our investigation revealed that, without question, magazine covers and cover wraps are clearly increasing in importance. Some of the trends to monitor in this regard include the following:

1. *Magazine cover pop-ups*: These are likely to become a focus of selected issues. The current success of magazine inserts with this capability is likely to spread over to the cover.
2. *Three-dimensional covers*: With the upcoming promotion of 3-D television spectaculars, some publishers are likely to chance one issue as a tie-in.
3. *Magazine coverserts*: You've heard of magazine inserts and outserts, now get ready for coverserts. These are inserts that might be press-pasted to a cover. *Catalog Age* (FOLIO:'s sister publication, edited for the catalog market), recently ran an eight-page foldout that was press-pasted to the inner back cover. For a cover to carry an outsert, it must be heavy—approaching 100 pounds or higher in basis weight.
4. *Greater use of bagging and wrapping materials*: With the change in postal regulations, many publications are start-



COURTESY OF KRUEGER PONTIAC DIVISION/PRESS

Norman Wiener is vice president of Walker Wiener Associates, an international-based marketing research company specializing in paper, printing and print media. Wiener has been involved in the paper industry for almost 20 years.

PHOTOGRAPH COURTESY OF KRUEGER RINGIER CORINTH DIVISION/BINDERY/EBONY

ing to think again about their use of piggybacking, while they are awaiting the new United States Postal Service guidelines. Polybagging has been the thrust of most initial efforts, since it works well on the bindery lines of many magazine printers. However, paper-based envelopes are likely to be used too, particularly by those magazines desiring to impart the feeling of higher value in their wrapping materials.

5. *Greater protection of covers and magazines*: An increasing number of magazines are now being shrink wrapped. This trend appears to be most prevalent among higher priced publications (in excess of $5 for a single copy.)

6. *Increased use of eight-page covers*: Cover pages have always been the best noted section of a magazine, and have usually deserved a premium. Many publishers appear to be ready to expand their standard covers into cover sections—with upgraded paper and printing in the first four and last four pages. Some advertisers have effectively used multiple page layouts for getting dramatic impact for their print ads.

7. *Greater use of overcoatings*: This can mean either varnish or UV coatings. With the introduction of more higher value and higher image magazines, the need for a "table-top" look in covers will increase. So many magazines are now moving to overcoating, it appears to be becoming status quo—at least for newsstand issues.

8. *Expanded role for ink-jet imaging*: Already a factor in the catalog market, ink-jet imaging will be used to tell subscribers about special editorial or advertising sections, based on the publisher's growing knowledge of the magazine's subscriber base. This could lead to distinctively different designs or layouts for subscription covers versus those oriented for the newsstands. A recent promotion for *U.S. News & World Report* used a personalized cover wrap message to entice prospective buyers with a trial subscription.

9. *Increased use of cover feature display tabs on covers for single-copy sales*: There are now three ways to display a magazine on the newsstand: full exposure, top horizontal front or top vertical left side. In the future, to gain maximum exposure advantage for their magazines, publishers are expected to expand the options to their distributors, based on the merchandising techniques used by local retailers.

10. *Increased use of covers on many self-cover publications*: In order to dress up many lower end consumer and business tabloid publications, as well as to develop new advertising streams and provide a unique area for advertising, many self-cover publications are beginning to make use of printed covers. This trend seems to be developing even if a magazine doesn't have newsstand sales. One major business magazine publisher says it gets such a premium for its covers, versus run of press (ROP), that it's worth the extra effort when they get the advertiser support.

Cover upgrading continues

If you have not reviewed your competition recently, you might start by checking their covers. Close to 20 percent of the magazine publishers interviewed for this article noted that they had upgraded their magazine covers within the past 12 months. An additional 10 percent were planning upgrades during the next 12 months, particularly consumer magazines.

The interest in upgrading magazine covers stems from several different directions.

- Among business magazines, the most important forces include the rising cost of magazine subscriptions and the need to impart higher quality; the increasing development of reference based issues; higher circulation per copy trends (which result in more abuse to covers); and the need to protect magazines from wear and tear during postal distribution.
- Among consumer magazines, upgraded covers have been fostered by desire to stand out on the newsstands; ability to impart a sense of higher quality (vis-a-vis higher subscription and single-copy prices); the positioning of high image (*i.e.*, table-top magazines); and the development of special issues (which are more likely to be saved).

2. Production aspects

Summaries of the findings about the graphic and production characteristics of magazine covers are provided here.

- *Grade of paper*: Close to 90 percent of all respondents use the same grade of paper for covers for both single copies and subscriptions. Publishers of business magazines tended to make slightly greater use of different grades of paper for the two types of circulation. Given the intense competition for single-copy sales, however, it would appear logical for more consumer magazines to use this tactic.
- *Role of permanence in magazine covers*: Close to 45 percent of all respondents noted long term permanence as a key issue in the design of their magazines covers. Three-fourths of all consumer magazine covers are designed to last for one year or longer. Less than 10 percent of consumer magazines appear to be oriented for shelf lives of one month. Clearly, magazines are no longer considered disposable. Many special issues are collectibles. A better cover clearly provides a better presence over the long term.
- *Printing process of cover*: Sheetfed offset printing was utilized for printing close to 40 percent of the magazine

covers, versus 60 percent for heatset web-offset printing. For the printing of body stocks, heatset web printing use was noted for close to 80 percent of the magazines. Although most consumer magazine respondents noted very limited use of sheetfed printing for their body stock (15 percent sheet versus 85 percent web), slightly more than one-third still noted use of sheetfed printed covers. Sheetfed printing still appears to be the best direction for heavier covers. Web presses, according to several publishers, just can't provide the same capabilities when it comes to highest quality reproduction.

- *Basis weight of cover*: Eighty-pound basis weight cover stocks (on a 25 x 38/500 basis) were used by close to 46 percent of all magazine respondents. This use of the primary basis weight was slightly higher among business magazines, versus consumer magazines. On average, cover basis weights tended to be 20 to 30 pounds higher than text or body basis weights. This difference is also widening.

Basis weight mix of magazine cover stocks

	% of magazines using		
Basis weight*	Total	Business	Consumer
40 pounds	4%	4%	3%
60 pounds	17	18	17
70 pounds	19	14	23
80 pounds	46	50	43
100 pounds	14	14	14

*25 x 38/500 basis
Source: Walker Wiener Associates

- *Paper grade*: Coated paper grades predominated for the production of covers. From a grade standpoint, coated grades, defined as being either coated #2 or #3, were most often used—accounting for 60 percent of magazine covers. Consumer magazines tended to make significant use of coated #4 grades (close to 28 percent of all consumer magazines). From a volume standpoint, coated #4 grades are probably more important, since they are used by many of the larger consumer magazines. This latter grade category includes a range of brightness and basis weight levels, and has been one of the most active areas for paper industry growth over the past two years.

Paper grade mix of magazine covers

	% of magazines noting		
Grade designation	Total	Business	Consumer
Coated #1	8%	4%	10%
Coated #2/3	60	66	57
Coated #4	22	11	28
Coated #5	6	10	5
Coated 1-side	4	9	2

Source: Walker Wiener Associates

- *Ink coverage*: Close to two-thirds of all respondents noted that 100 percent of their magazine cover space was covered with ink. Full ink coverage was slightly higher among consumer magazines. With so many magazines noting full bleeds, effective use of white space could make some magazine covers stand out on the newsstand.

Average ink coverage on magazine covers

% of ink coverage	% of magazines noting
100 %	64%
90-99	17
80-89	8
70-79	5
Less than 70	7

Source: Walker Wiener Associates

- *Level of color printing*: Four-color process printing predominates in the production of magazine covers. Close to 80 percent of all respondents noted use of four-color process. Less than 4 percent of all magazines noted the use of one-color covers.
- *Use of special coatings*: Overall, 45 percent of the magazines use some type of special coatings on their covers. Varnish was noted by close to two-thirds of the companies, UV coatings by almost one-quarter. Use of coatings is expected to rise as competitive forces make varnish and other overcoatings a standard. In almost every case, advertiser and agency reaction to overcoating has been quite positive.
- *Use of die-cuts*: Less than 3 percent of all respondents noted the use of die-cut covers. This is a very expensive option, and one that must tie in to an inside picture or graphic. Die-cuts could be used effectively with some self-cover magazines, whereby a special feature (on the self cover) could be highlighted each month. Because of the longer lead times required with covers, certain news-based magazines could take standardized die-cut covers and effectively highlight a late-breaking feature on the ROP section of the magazine.
- *Typical cover configuration*: The cover configuration of most magazines is the standard four-page cover. Over 95 percent of the respondents noted this format as their standard. Single gatefolds (opening in the front) were noted by about 3 percent, and double four-page covers by less than 2 percent.
- *Other cover configurations used*: Many magazine publishers noted that, on occassion, they do vary their cover formats. Close to half noted the use of single gatefold (front opening) followed by double four-page covers. This is clearly one area where major change may occur over the near term. Many publishers are now exploring new options for covers that have not been examined before.

Nontypical magazine cover configurations used

Configuration	% of magazines noting use
Standard 4-page cover	6%
Single gatefold (front)	49
Single gatefold (back)	14
Double gatefold	9
Two standard 4-page covers	22

Source: Walker Wiener Associates

- *Use of UPC code*: Close to 45 percent of the magazines responding now have a Universal Product Code (UPC) on their covers. This was far more predominant among consumer magazines (67 percent) than business magazines (13 percent). The U.S. scanner population in retail stores is exploding, and UPC codes are likely to be standard within a few years.

• *Imprinting of mailing address on cover*: Cheshire label use still dominates in the addressing of magazines. Close to three-fourths of all respondents used Cheshire labels. About 20 percent noted use of pressure-sensitive labels. Ink-jet addressing of subscription magazines accounted for less than 2 percent of the magazines surveyed. Ink jet's share is expected to skyrocket as publishers start taking advantage of demographic advertising options.

• *Use of personalized covers*: Personalized covers (*i.e.*, ink-jet addressing or messaging) were being planned by 15 percent of the respondents. This was significantly higher among business magazines, compared to consumer magazines.

• *Use of cover wraps*: Almost 60 percent of the respondents now employ some type of cover wrap to protect their mailed subscription issues. Business magazines (75 percent using cover wraps) used cover wraps more extensively than consumer magazines (49 percent).

However, cover wraps are not used all year round. About one-third of the magazines using cover wraps use them on every single issue. The remaining using cover wraps varied in their frequency of use: Twice per year was noted by about a quarter of all magazines, and quarterly and semiannual use by 30 percent.

Reply card stock was the dominant paper grade used for outerwraps, accounting for half of the identified material. The remaining 50 percent was divided between white wove (envelope stock) and plastic. Close to 30 percent of the materials used by consumer magazines was noted as plastic.

Close to 95 percent of the magazines expected to continue their use of cover wraps.

The primary reasons noted for using cover wraps varied. But renewal-related factors were clearly most important.

Primary purpose of magazine cover wraps

Primary purpose	Total	Business	Consumer
Renewal	44%	53%	33%
Protection	24	25	22
Highlight special feature	11	6	17
Hold other loose materials	7	10	6
Decorative	6	6	6
Obtain gift subs	6		11
Security	2		3
No specific reason	1		2

Source: Walker Wiener Associates

Only one of 10 magazines noted efforts to secure external advertisers for their cover wraps.

Among those magazines not using cover wraps, close to 30 percent planned to use them in the future. Business magazines, by a wide margin, planned greater use in this regard than consumer magazine publishers.

3. Specification and brand preferences

A further perspective on the changing role of magazine covers was revealed by a series of questions relating to the area of paper/printing specifications and brand preferences.

• *Identified brand use*: Close to 88 percent of the publishers were able to name the specific brand of paper used for their magazine cover. As shown on the accompanying chart, S. D. Warren, followed by Westvaco, received the most number of mentions for their specific brands. By a wide margin, Warren's Warrenflo and Westvaco's Sterling were the dominant brands noted for magazines covers.

• *Use of same brand for both cover and body stock*: Slightly less than 20 percent of all respondents noted the use of the same brand supplier for cover and body stock paper. Consumer magazines noted a slightly higher use of the same supplier for both.

> "Publishers who maintain this status quo are likely to lose some critical benefits, including greater prestige, increased revenues, and a more powerful competitive product for attracting new subscribers."

[redacted]

• *Importance that brand of cover and body be the same*: In this regard, less than 10 percent of respondents replied that the brands of cover paper and body paper had to be the same. Business magazines showed virtually no desire to maintain the link between the two.

• *Importance that supplier (either mill or merchant) be the same*: Here again, less than 10 percent indicated that the two suppliers had to be the same source. Similar to the previous findings, consumer magazines noted a slightly higher preference in this regard.

• *Purchasing of cover paper*: Close to 25 percent of the respondents noted that they (*i.e.*, the magazine's publisher) purchased the paper used for their covers. Close to 40 percent of the business publishers noted this direction, versus less than 15 percent of the consumer magazines.

• *Where publisher purchased paper*: When the paper was purchased by a publisher, close to 80 percent of the purchases were made through a paper merchant. Only 20 percent of the purchases were made directly from a mill.

• *Printer sourcing of magazine cover papers*: When the printer purchased the magazine cover paper, close to 40 percent of the respondents noted that the paper was taken from the printer's house stock. Close to half noted that their printers order the paper from a mill. The use of merchants fell considerably when the printer handled the purchasing, as only 11 percent of the respondents noted the use of merchants in this regard.

• *Brand specification of cover stocks*: When cover paper is purchased (whether it be through the printer or direct by the publisher), close to 43 percent of the publishers either specify a specific brand or just note the specific grades. The remaining 14 percent either note basis weight, price per pound or best available buy.

• *Printing of magazine covers*: More than 98 percent of the respondents note that their magazine printer also prints their magazine cover.

- *Department/function most influential in decisions regarding the cover:* Overall, production/manufacturing department personnel were noted as being slightly more important in decisions pertaining to the cover than the publisher—36 percent to 33 percent. Editorial and creative groups each drew about 12 percent of the total mentions in this regard.

Department/function most influential in decisions regarding magazine cover

Department/ function	% of magazines noting Total	Business	Consumer
Production/ manufacturing	36%	50%	29%
Publisher	33	19	39
Design/art/ creative	12	8	14
Editorial	10	15	8
Operations	3	4	2
Sales	3	3	2
Circulation	3		4
Finance	1		1

Source: Walker Wiener Associates

Implications of cover trends

It should come as no surprise that something as powerful as a cover—both as an editorial and an advertising medium—can be improved with a little extra effort. Publishers who maintain a status quo attitude in this regard are likely to lose some very critical benefits, including greater prestige (among readers, advertisers and agencies), increased revenues, and a more powerful competitive product for attracting new subscribers. As with houses, which must be repainted every few years, magazine covers must continually be revitalized to provide your audiences with a sense of direction, pride and growth.

The sample

Many of the observations and comments in this article are based on data from over 100 mail questionnaires that were received by WWA during the months of November and December 1987, and January 1988. Some of the characteristics of the sample included—

- 100 magazine publishers. Slightly more than half were business magazine publishers.
- Most magazines (94 percent) were of standard size.
- The average circulation of the business magazines was 51,000, compared to 208,000 for the consumer magazines.
- Most magazines were saddle stitched (55 percent) versus perfect bound (45 percent). Business magazines made greater use of perfect (53 percent), while consumer magazines were 60 percent saddle.
- Most magazines were monthly (72 percent); 10 percent published more frequently than monthly; 18 percent published less frequently than monthly.

Identified brand preferences for magazine cover stocks

Mill/brands	% of total responses* for business and consumer magazines
S. D. Warren	36%
Warrenflo	
Webflo	
Lustro	
Flokote	
Patina Matte	
Westvaco	34
Sterling	
Velvo	
Marva	
James River	8
Sonoma	
Crown Cover II	
Capistrano	
Champion	5
Javelin	
Panaprint	
Kromekote	
Mead	5%
Escanaba	
Mead	
Northcote	
Midtec	3
Shorewood	
International Paper	2
Hudson	
Northwest	2
Vintage	
Boise Cascade	2
Kymenne	2
KymexCote	
Zanders	2
Ikonolux	

* Does not add to 100% because of rounding
Source: Walker Wiener Associates

Nonprofit mailing rates: Unfair

For the first time since the dawn of the Republic, the future of nonprofit rates is being called into serious question

[redacted]

BY KARLENE LUKOVITZ

> “*Why does* National Geographic Traveler *reap all the benefits of nonprofit status while the new* Conde Nast Traveler *must pay full freight on all its postage and then pay taxes on its earnings, thereby contributing to the nation's economic well being? Why should* Harper's *suddenly be granted nonprofit status and—with it—a whopping economic advantage over* The New Yorker?”
>
> *Denison Hatch*
> *Publisher*
> *“Who's Mailing What”*
> *October 1987*
>
> “*[Nonprofit status] is not simply a matter of avoiding taxes and getting (for a while longer, at least) a preferential postage rate. The point is that nonprofit publications agree to operate* without a profit, *which is, after all, what allows profit-making magazines to continue publishing.*
>
> *“*Harper's Magazine *has renounced profit. If* The New Yorker *is willing to do the same, then by all means give them nonprofit tax and postal status, too. I suspect Conde Nast would feel that the drawbacks of nonprofit publishing far outweigh its benefits . . . .*”
>
> *John R. MacArthur*
> *Publisher*
> Harper's Magazine
> *Excerpt from November 11, 1987, response to Hatch opinion column*

When it comes to postal rates, just about everyone has some ax to grind. Preferred mailing rates, more commonly termed “nonprofit rates,” have often been the cause of controversy among mailers and politicians. But at no time have these rates—which, unlike regular rates, are subsidized by the Treasury—been under more scrutiny than in recent years.

Preferred rates originated in the earliest days of the Republic, when newspapers and other periodicals were given lower postal rates as a means of encouraging the widest possible dissemination of information to the public. It's a safe bet that such rate breaks came in for some fire even back in the days of Ben Franklin.

But the ongoing debate over the merits of preferred rates and over how these lower rates should be supported, if at all, has heated up considerably in the eighties, as opponents of these special rates have pressed their cases in the context of Congress' struggle to cut costs to reduce the budget deficit.

The total subsidy for preferred rates, called the “revenue forgone” subsidy, is $517 million for fiscal year (FY) 1988—not much in comparison with the billions in Government subsidies spent in other areas. However, the intense pressure to find large and small ways to cut Government spending, concern in Congress over abuses of preferred mailing rate status, and op-

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Karlene Lukovitz is a freelance writer based in the New York Metropolitan area. She has been executive editor of FOLIO: *and editor of* Inside Print.

advantage?

position from for-profit businesses and the Reagan Administration have put revenue forgone subsidies and preferred rate eligibility guidelines into serious question for the first time in their history.

Charges of unfair competitive advantages and commercial uses of nonprofit mailing permits are the main objections to preferred rates and their subsidies. Second and third class nonprofit mail—the two categories of vital concern to magazines published by nonprofit organizations—are also the categories most subject to criticism. For-profit mailers have long contended that many users of second and third class preferred mailing permits are unfairly paying lower rates while engaging in business activities that are really no different from, and are often directly competitive with, those of for-profit, tax paying businesses.

Third class bulk nonprofit mail, which consists of fund-raising and other promotions sent out by nonprofit organizations, is the focus of most attention, with good reason: It is by far the largest-volume preferred category (11.72 billion pieces projected for FY '88), accounting for over 75 percent of the total revenue forgone subsidy. Furthermore, insofar as it is used in ways that compete with for-profit businesses that pay regular third class rates, it has the greatest potential of any preferred rate category to ruffle the feathers of everyone from banks to catalogs to travel agents—although, according to Postal Rate Commission (PRC) mail studies, only 28 percent of nonprofit third class bulk mail contains any advertising.

An oft-cited example of abuse of third class preferred mailing rates is that of universities, colleges and other fund-raising organizations that use their permits to promote trips, packaged by for-profit travel businesses, to their alumni or members. The nonprofits get some portion of the sales as donations to their organizations (and may also be reimbursed for their mailing costs); the travel business gets the rest. Nonprofit permits have also been used to market insurance, credit cards and other goods and services.

In large part because of concern about such promotions, Congress asked the PRC in 1986 to conduct an extensive study of preferred rates. One of the PRC's major mandates in conducting the study was to recommend changes in eligibility requirements for nonprofit mail that advertises goods and services.

Second class special (outside county) nonprofit rates, which apply to magazines and other publications published by nonprofit organizations, account for only about 7 percent of the total subsidy. However, they too have come in for considerable criticism, mainly from for-profit specialized business publishers who raise the unfair competition issue.

The other types of preferred rates—second class in-county, second class classroom, science of agriculture, free for the blind, and fourth class library—are generally less controversial. Nevertheless, there are those who would like to further restrict, or even abolish, nearly all types of preferred mail. (In-county rates, meant to help rural newspapers, are less of an issue since regulations were changed in 1986 to bar large-circulation, national publications from getting these rate breaks.)

Opposition from the business press

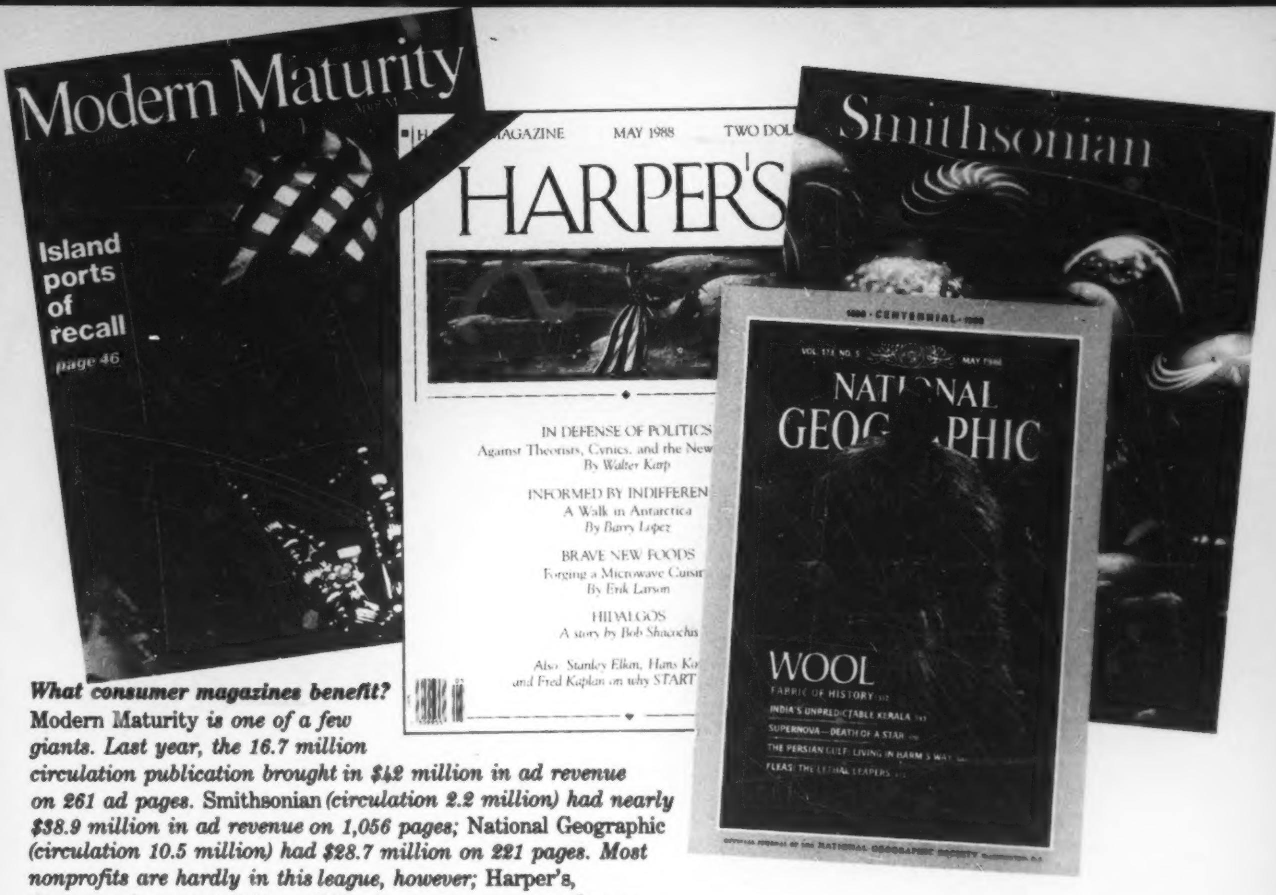
The Association of Business Publications (ABP) has been one of the most vocal groups in favor of eliminating all subsidies for preferred mail categories, with the exception of those for the blind and physically handicapped. ABP contends that the subsidies should be eliminated as a matter of fiscal policy, particularly since nonprofit organizations are already given tax subsidies.

Essentially, ABP opposes preferred subsidies and preferred rates because its member publications, which serve special interest groups such as doctors, chemists and engineers, have to compete for advertisers and readers with preferred-rate publications produced by nonprofit associations that also serve these groups.

Lower operating costs made possible by lower postal rates could allow association publications to charge lower advertising rates than for-profit publications serving the same readers, says Richard Moeller, chairman of the ABP Legal Committee and president of Edgell Communications.

"Nonprofit publishers target professional, trade and other specialized journals with the same audiences as do taxpaying, regular rate publishers," said Moeller, in testimony before the PRC last September. "The medical field is one of many where this unfair subsidized competition exists: Distinguished taxpaying medical journals such as the *American Journal of Medicine, Modern Medicine, Patient Care, RN,* and *Nursing 88* directly

Bulk Rate
Non-profit Org.
U.S. Postage
PAID
Permit No. 000
Anytown, USA



What consumer magazines benefit?* Modern Maturity *is one of a few giants. Last year, the 16.7 million circulation publication brought in $42 million in ad revenue on 261 ad pages.* Smithsonian *(circulation 2.2 million) had nearly $38.9 million in ad revenue on 1,056 pages;* National Geographic *(circulation 10.5 million) had $28.7 million on 221 pages. Most nonprofits are hardly in this league, however;* Harper's, *for example, reported $1.4 million in revenue on 357 ad pages.

compete against the nonprofit *Journal of the American Medical Association*, *New England Journal of Medicine*, *Annals of Internal Medicine*, and the *American Journal of Nursing*, to name a few.

"Identical advertisements for drugs and medical supplies appear in both types of periodicals. The editorial value to the reader of one publication cannot be said to be any greater or less for a tax paying versus a nontax paying association or professional journal, without getting into content-control . . .

"It is not only professional and business paper publishing where in practically every field there is an association or nonprofit competitor. In consumer magazine publishing there are large nonprofit organization publications as well . . . 27.3 percent of all nonprofit second class volume is produced by only 18 out of 41,147 second class nonprofit periodicals mailed out of county . . . . [These] include *American Hunter* (circulation 1.4 million copies per issue) and *American Rifleman* (circulation 1,362,000 copies per issue), *both* published by the National Rifle Association; *National Geographic* (circulation 10,693,000 copies per issue) and the newly established *National Geographic Traveler* (circulation 848,000 copies per issue), *both* profitably published by the nonprofit National Geographic Society. These are *not* isolated examples . . . "

> **"With IRS tax exempt status, a nonprofit mailing permit is virtually assured."**
>
> [illegible]

Those who are not familiar with tax and postal regulations regarding nonprofit organizations might well be puzzled as to how a nonprofit organization can publish profitable magazines or engage in other profitable enterprises.

What does the tax code say?

An organization that has been granted tax exempt status under Section 501(c)(3) of the Internal Revenue Code is not totally excluded from engaging in profit-making activities; however, it is required to pay some taxes (not the full amount that would be paid by for-profit businesses) on those parts of its activities that do generate a profit. Determination of actual tax liability for these activities, however, has been subject to considerable litigation.

And, while an organization or association that has obtained tax exempt status from the IRS is not automatically entitled to preferred rate mailing status, which must be granted by the Postal Service, in practice, the link between the two is strong. In its report to Congress, the PRC acknowledged that postal officials have always relied heavily on the IRS's tax exemption determinations in granting preferred mailing permits.

Under the IRS guidelines, any one of a host of activities or purposes may qualify a group for consideration for tax exempt status. These include charitable, religious, school- or college-related, cultural, historical and other educational activities; health services, business and professional organizations, and employee or membership benefit organizations; sports/recreational/athletic/social activities; civil rights, litigation, legal aid, legislative and political, advocacy, conservation and environmental activities—and even some "cemetery or burial" activities.

There are those who contend that the range of groups currently eligible for tax exempt status under IRS guidelines is too broad and ill defined and is really the crux of the whole nonprofit problem. If getting tax exempt status were tougher, they reason, there would be more organizations paying taxes and fewer getting postal rate breaks—both of which would be good news for the deficit.

However, the PRC, in its report, took the position that changes can and should be made in the Postal Service's own eligibility guidelines, independent of any such action at the IRS. "Some tax scholars believe that nonprofit organizations are not really the beneficiaries of 'loopholes' in income tax laws, nor are they specially privileged," the PRC stated. "Rather, they are truly not the kind of income-producing entity that could be subject to income taxation. Thus, there is no necessary nexus—either in logic or in policy considerations—between exemption from taxation and entitlement to lower operating costs in the form of reduced postal rates."

The Commission also noted that Congress, in extending eligibility for preferred postal rate status to new categories and groups many times over the years, has rarely bothered to discuss *why* it has made some groups eligible and not others.

Questions of individual gain

In addition to questions about the eligibility of various types of groups, notes Tom DeYulia, staff director of the House Post Office and Civil Service Committee, a major dilemma in dealing with preferred rates "is trying to determine when an individual organization is legitimately worthy of nonprofit status, and when that status is actually being used as a cover for individual gain."

"Congress rarely discusses its reasons for extending preferred status to new groups."

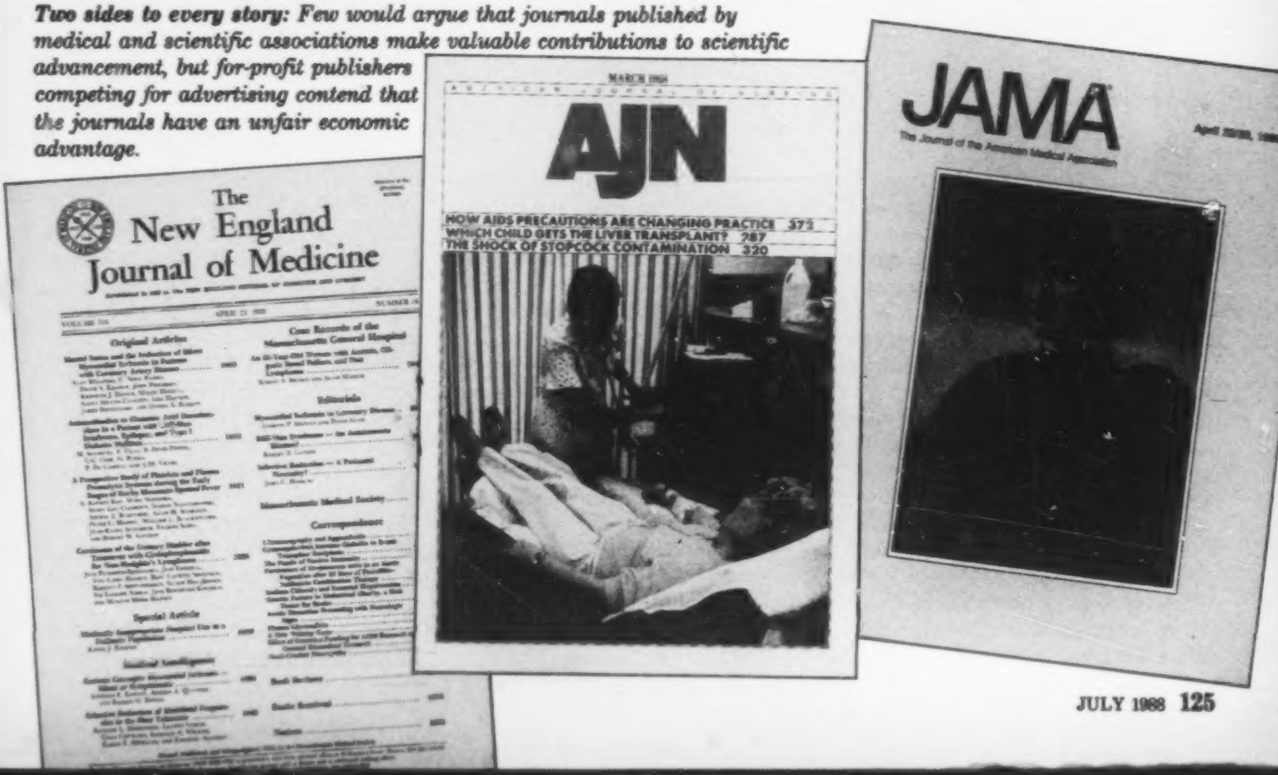
[redacted]

Forbes, in its November 2, 1987, issue, ran an article about the American Association of Individual Investors (AAII), founded in 1979 by James Cloonan, who is its president. For a $48 annual fee, members receive the monthly *AAII Journal*, which *Forbes* describes as "an excellently written collection of advice on IRAs, life insurance, mutual funds and stock trading."

According to the article, the AAII, which is a Federal-tax exempt educational organization, had a $3.3 million cashflow on revenues of $8.9 million in 1986, and its balance sheet showed $5 million in cash against $21,000 in liabilities. While acknowledging that actual profits are hard to gauge because of deferred subscription income, and that, due to the organization's nonprofit status, Cloonan cannot legally own or sell it, *Forbes* reports that his personal compensation in 1986 was $588,000, and that the "company car" is a 1984 Jaguar. The AAII receives a $360,000 taxpayer subsidy in the form of nonprofit mailing rates on third class mailings.

Cloonan says that the *Forbes* article is "basically" accurate, though he contends that a few of the figures, as well as its "attitude," are "slightly off." *AAII Journal* and the association's seminars, he asserts, do not give investment advice, but instead, like university MBA programs, train people to make their own investment decisions. As such, he says, AAII qualifies for nonprofit status and mailing rates, at least under the current requirements. As for his salary and the Jaguar, he points out that all nonprofit organizations have positive cashflow, or they would otherwise be out of business. "You could argue the fairness of what people pay us for certain services that we offer, just as you could argue the

Two sides to every story: ***Few would argue that journals published by medical and scientific associations make valuable contributions to scientific advancement, but for-profit publishers competing for advertising contend that the journals have an unfair economic advantage.***


The New England Journal of Medicine
MARCH 1988
AMERICAN JOURNAL OF NURSING
AJN
HOW AIDS PRECAUTIONS ARE CHANGING PRACTICE 372
WHICH CHILD GETS THE LIVER TRANSPLANT? 287
THE SHOCK OF STOPCOCK CONTAMINATION 320
JAMA
The Journal of the American Medical Association

fairness of the tuition charged by a given university," he adds. "But the fact remains that, under current definitions, we qualify as a nonprofit organization."

The tax code provides that "no part of the net earnings" of a nonprofit organization "shall inure" to a private individual, but, as *Forbes* noted, "the IRS rarely has time to engage in debates with charities on where to draw the line." The same could be said of the Postal Service which, according to the *Domestic Mail Manual (DMM)*, is empowered to make an organization eligible for nonprofit rates if it engages in religious, educational, scientific, philanthropic, agricultural, labor, veterans or fraternal work as its primary purpose, if it is not organized for profit, and if "none of its net income inures to the benefit of any private stockholder or individual."

There are unquestionably some cases in which individuals gain as a result of nonprofit enterprises, including publications. Nonprofits, however, argue that there are certainly many nonprofit magazines whose publishers and other staff members are hardly cleaning up, in terms of salaries and benefits—magazines that carry little or no advertising and are struggling just to stay alive, even with tax and postal breaks. Some executives and staff members of nonprofit magazines are certainly making less than they would be if they worked for for-profit magazines; others are doing as well or better than for-profit peers.

How real a threat?

MacArthur also scoffs at the idea that his magazine, or most nonprofit magazines, presents any significant threat to for-profits. "This supposed competitive advantage is absurd," he says. "I have to sell ad space against *Time*. *I'm* the one who needs a break. We work with a little endowment; they work with the resources of a huge corporation. And we will always have a limited audience and a limited number of advertisers. *Harper's* has been losing money for years. Its former, for-profit owners were about to kill it for that reason. It's never going to be a big money maker. A lot of nonprofits, like *Mother Jones* and *The Progressive*, can barely get any advertising."

What about magazines with which *Harper's* competes more directly? Robin Johnson, publisher of the for-profit *Atlantic Monthly*, says he doesn't lose any sleep over his competitor's nonprofit postal rates. "If the difference in regular and nonprofit rates were still as large as it was back in 1981, I might be more concerned about it," he says. "What we *do* agonize over here is the jump in regular second class rates, and those terrible new polybagging regulations."

MacArthur asserts that no for-profit publication, business or consumer, has ever been put out of business by a nonprofit competitor. Preferred rate opponents interviewed acknowledge that they cannot cite an example that contradicts this statement.

" It is the business press that is virulent in its opposition to nonprofit rates," says the publisher of a large-circulation, nonprofit magazine that has substantial advertising content. "Yet, like all other second class publications, they themselves get a rate break." (Regular second class rates, though not Government subsidized, are kept lower than other regular rates because the Postal Service must, when recommending rates, take into account periodicals' role in disseminating information to the public. In theory, second class rates are supported by other regular rate mail classes, which pay higher markups to cover the "institutional" or overhead portion of second class costs. Of course, some publishers argue that the Postal Service's cost assignment methods do not accurately reflect reality. They contend that, given second class mailer's mail preparation efforts, second class rates *should* be relatively low, and that the recent 18 percent average increase in second class rates is certainly unjustified.)

> **"Has a for-profit publication ever been driven under by a nonprofit competitor? Opponents of preferred rates acknowledge that they can't cite such an example."**

[redacted]

"I say, if you want to talk about preferential treatment, let's talk about the fact that practically every [paid circulation] business magazine ever purchased is bought at the taxpayers' expense—written off as a business expense by the company," continues this nonprofit publisher. "There *are* abuses of preferred rates, but there are also a lot of people out there who make millions of dollars per year and pay no taxes. Is *that* right?"

Still, there's no denying that nonprofits do compete with for-profits, and that some compete more than others. According to the PRC, 45 percent of nonprofit second class publications contain more than 10 percent advertising. (Those with less than 10 percent advertising are allowed to pay nonprofit editorial rates on the entire content of their magazines.) The PRC also reports, however, that less than 25 percent of nonprofit second class volume carries advertising content that is in excess of 25 percent.

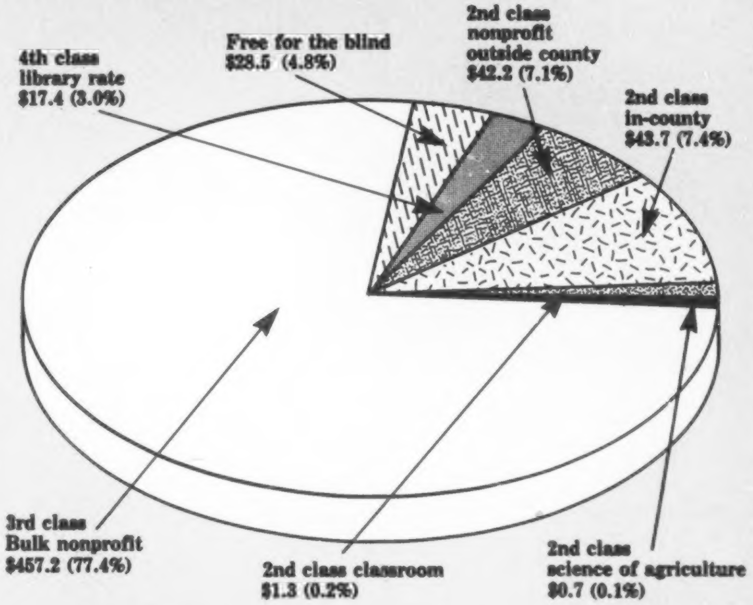
Smithsonian, National Geographic Traveler, Modern Maturity, Ms. (until it was sold last year to Fairfax Publications and dropped its nonprofit status) and, on the business and professional side, medical and other professional journals that consistently run large numbers of ad pages, are among the magazines published by nonprofit organizations that are often cited as posing significant advertising competition.

Nonprofits, however, contend that their advertising still amounts to a very small fraction of all magazine advertising. Furthermore, they say, their publications make valuable—sometimes unique—contributions to public knowledge. "In my opinion, most of these for-profits that complain about competition from nonprofits are, editorially, truly *not* as informative, or scientific, or worthy as the nonprofits," asserts MacArthur. "On the other hand, some of them might very well qualify for nonprofit status on educational grounds—*if* they're willing to renounce profit. I seriously doubt that many of them are ready to do that."

Others, of course, dispute nonprofits' unique editorial value. Denison Hatch, publisher of "Who's Mailing What," a newsletter read by business mailers, contends that *Ms.*, which caused quite a stir when it went nonprofit in 1979, was but one example of unfair competition by nonprofit magazines. "By going nonprofit, *Ms.* wan-

Revenue forgone appropriations: The breakdown by mail category

(Fiscal year 1987: $millions)



Source: U.S. Postal Service

***Third class nonprofit** accounts for the lion's share—over 75 percent—of all revenue forgone appropriations each year, as is clear from this breakdown for FY 1987. Not surprisingly, this category is the focal point of Congressional attempts to cut nonprofit mail subsidies and curb abuses.*

tonly undercut sisterhood publications—magazines that are just as worthy as *Ms.* in terms of fulfilling the needs of their women readers: *Savvy*, *Working Woman*, *Working Mother*, *Redbook*—perhaps even *Ladies' Home Journal*, *McCall's* and *Cosmopolitan*," Hatch wrote. " Yet, they are out in the marketplace competing for the same advertisers, chasing down the same universe of subscribers and hiring the same authors to write on the very same subjects . . . . "

Such a contention would undoubtedly be greeted ironically by *Ms.* founders Patricia Carbine and Gloria Steinem, who made no profit from the magazine's sale, but are being kept on for five years as "comfortably" paid consultants. Prior to the sale, the two were struggling to keep the magazine going. Ad pages had dropped from a peak of 653 in 1984 to 475 in 1986. A major reason, according to some advertising agency executives, was that *Ms.* was considered to have too feminist and militant an image, in comparison with the for-profit magazines with which it competes.

Still, there are those who contend that a magazine that is unable to compete is simply out of touch and is not really performing a useful function. Why then, they ask, should taxpayers or other mailers subsidize such a magazine? "The Government should not be subsidizing mediocre businesses," asserts Hatch. "But I would say that there might be exceptions, like *Consumer Reports*, which takes no ads and is fiercely independent, or some of the scholarly journals, like the *New England Journal of Medicine*."

Responds MacArthur: "In a nation founded on the right of free and varied expression, the loss of each and every publication, nonprofit or otherwise, makes us all the poorer."

The problem is that editorial value and differences in editorial mission are subjective and could be argued endlessly; the Postal Service has neither the resources nor the desire to try to resolve such arguments.

Ian Volner, an attorney with the Washington firm Cohn and Marks, has seen the preferred issue from a number of viewpoints. He has worked as legal counsel to the Third Class Mailers Association (whose membership consists in large part of commercial mailers) and the Association of American Publishers (whose members are book publishers); he has also helped nonprofits like *Harper's* get their nonprofit status.

"If a magazine has a legitimate purpose that serves the public, and if the foundation running the magazine is doing more than just publishing the magazine, I have no problem with it getting nonprofit status or rates," he says. "I have no problem with *National Geographic*, or *Smithsonian*, or *Harper's*," each of which has a foundation that funds scientific or cultural research or activities, sponsors programs encouraging new authors or artists, or otherwise contributes to the public good, he says. "But if all a foundation is doing is publishing a magazine, it doesn't seem to me that they should be getting preferred rates on the advertising portion."

> "Politicians are *never* eager to upset powerful nonprofit organizations—least of all in an election year."

As previously noted, Congress did allocate the Postal Service's full requested subsidy for preferred rates for FY '88, which ends in September. Furthermore, given that this is an election year, and that the third class mailing rates of powerful constituencies such as churches and major charitable organizations are at stake, it is unlikely that either the revenue forgone subsidy or the general structure of preferred rates will be tampered with to any significant degree for FY '89.

However, when budget hearings for FY '90 begin, the status quo might be shaken up, according to sources on all sides of the preferred rate issue. In fact, it is actually possible that the revenue forgone subsidy might be eliminated. The PRC itself, in its report

New postal rates: Nonprofit vs. for-profit

Second class

	For-profit	Nonprofit
Nonadvertising:	12.4¢/pd	9.2¢
Advertising:		
Zone 1 & 2	16.5¢	12.3¢
Zone 3	17.4	12.9
Zone 4	19.1	14.2
Zone 5	21.6	16.2
Zone 6	24.3	18.4
Zone 7	27.5	20.9
Zone 8	30.2	23.1
Per piece		
Level A	16.0¢	13.1¢
Level B	12.4	9.5
Level C	9.9	7.4
SCF discount	(1.0)	(1.0)
Nonadvertising difference	(4.0)	(2.0)

Third class

	For-profit	Nonprofit
Minimum per piece:		
Required pre-sort	16.7¢	9.0¢
5 digits	13.2	8.2
Carrier route	10.1	5.9
Pound rate:		
Carrier route	48.0¢ /pound	28.0¢ /pound
Required pre-sort	48.0¢ plus 6.6¢ per piece	28.0¢ plus 3.1¢ per piece
5 digits	48.0¢ plus 3.1¢ per piece	28.0¢ plus 2.3¢ per piece

Zip + 4 mail

	For-profit	Nonprofit
Minimum per piece:		
Required pre-sort	16.2¢	8.5¢
5 digits	12.7	7.7
Pre-bar coded plus pre-sorted to 5 digits	12.2	7.2

The gap between for-profit and nonprofit mailing rates has been steadily closing in recent years. Although a substantial differential still exists, nonprofits were hit even harder by rate increases than for-profits in this latest rate case—at least in second class. Nonprofit second and third class rates rose 24.1 percent and 6.9 percent, respectively, as compared with 18 percent and 25 percent increases for second and third class regular rates.

to Congress, recommended elimination of the subsidy. Of course, eliminating the subsidy is a decision that would have to be made by Congress, not the PRC or Postal Service.

Moreover, because of the political clout of preferred mailers, Congress would almost certainly preserve some rate breaks for these mailers, even if it eliminated the Government subsidies. To whit: The PRC recommended that unsubsidized subclasses be created for the various preferred rates, but it also assumed that Congress would want to maintain some "favorable rate treatment" for mail currently benefiting from the subsidies.

Under such a subclass system, the rate advantages for preferred mailers, which have already been reduced in recent years (in part because of the elimination of phasing) would probably be smaller. One reason is that these mailers would begin on a regular basis to pay a larger portion of institutional (postal "overhead") costs, as well as costs directly attributable to their own subclasses. (Under the current system, the revenue forgone subsidy exists to cover the institutional costs not received from preferred mailers by the Postal Service, which is required, by law, to operate on a break-even basis. The law states that rates for mail that was eligible for preferred rates prior to the 1970 Postal Reorganization Act may not exceed its direct and indirect attributable postal costs so long as Congress appropriates the money to make up the difference—the "revenue forgone.")

In addition, as the PRC noted, the unsubsidized subclass setup "would allow the Postal Service and mailers to participate in determining appropriate rates for [preferred] mail." This would seem only fair, since other mailers, instead of taxpayers in general, would then be paying, in the form of higher postal rates, for whatever revenue shortfall remains from preferred mail. Under these circumstances, regular rate mailers would do everything possible to minimize costs to themselves. This could result in pressure for higher rates for some or all preferred classes.

Scrutinizing eligibility

If the subsidies are eliminated, there will also be increased pressure on Congress to narrow nonprofit eligibility definitions. "If the regular rate mailers get stuck with the bill [for preferred rates], then, yes, Congress should certainly restrict eligibility, particularly in third class nonprofit, which accounts for such a large portion of the total costs," says David Minton, counsel on postal matters for Magazine Publishers of America, Inc. (MPA). "MPA's position is that nonprofit third class rates should be used only for legitimate fundraising activities by nonprofit organizations—not for promoting the sale of goods and services, such as Metropolitan Museum of Art calendars."

Over the years, the MPA has occasionally made proposals to limit preferred eligibility and nonprofit costs (such as recommending that nonprofits pay regular rates on all second class advertising content). However, the association has never advocated elimination of preferred rates. MPA counts a few nonprofits among its many for-profit consumer magazine members; presumably, the for-profit majority has not felt threatened enough by the nonprofits to force a major confrontation. Nor has MPA opposed the revenue forgone concept. After all, its own for-profit members, like other mailers, would see their rates rise if subsidies were eliminated and regular rate mailers were required to pay the nonprofits' share of overhead costs.

However, as Minton points out, the elimination of the subsidy would be borne mainly by first class, not other classes. "We certainly don't *want* to pay to support preferred rates, but the impact on us would be relatively small," he says. Naturally, the same is true for business magazine publishers; in pushing to kill the subsidy, ABP reasons that the possibility of putting nonprofit magazines on a more even competitive basis, rate-wise, "would be of more benefit than the downside" of risking a slight increase in regular second class rates, according to Moeller.

(ABP may or may not be planning to continue its heretofore nearly total opposition to the nonprofit subsidy. At press time, Wyatt and Saltzstein, legal representatives for ABP, would comment only that "ABP continues to support strong enforcement of the unrelated business income tax by the Internal Revenue Service and supports the closing of loopholes used by some tax exempt organizations to avoid paying the tax.")

PRC and industry stances

Before Congress ever deals with the issue of actually eliminating preferred rate subsidies, it may well move to restrict nonprofit postal eligibility as part of its quest to reduce the deficit. Some think Congressional hearings about eligibility might be held as early as this year, even if election politics prevent reforms from actually being implemented for some time.

The PRC, in making several recommendations to restrict eligibility, stressed that the question of fair competition "would persist even if subsidies from the Treasury were totally eliminated by the 'subclass' mechanism," since preferred mailers would still enjoy some kind of a rate advantage. "Complaints of competitive unfairness arise today because we permit qualifying *organizations* access to the preferred rates for virtually any mailing activity. That problem can be resolved only by making distinctions among their activities that reflect as closely as possible the real purpose of the rate preference," the Commission stated.

Since the PRC's report, only two of its preferred mailing recommendations have been acted upon: the in-county rate eligibility restrictions, and the initiation of a different system of calculating revenue forgone (called the "equal markup" system), which immediately resulted in a significant drop in the subsidy amount requested by the Postal Service.

If Congress decides to take on preferred eligibility questions, it will still have to consider several other eligibility recommedations made by the PRC, as well as the positions taken by major mailers in relation to these recommendations. What follow are capsulizations of those affecting the third and second class nonprofit categories:

> **"The eligibility for preferred mailing status is likely to be curtailed, whether or not the subsidy is eliminated."**

[illegible]

- *Commercial uses reduction.* To reduce the 28 percent of nonprofit third class bulk mail that promotes or sells articles, products, services, insurance or travel arrangements, the PRC recommended that Congress allow preferred rates to be used only when "the activity or thing being advertised is substantially related, otherwise than just by raising funds, to the purpose of the nonprofit organization." Example: A Native American welfare organization selling handmade crafts that contribute to its programs would qualify; a college selling clocks bearing its seal would not, because the items would not have "the requisite relationship with the college's educational mission." The PRC also recommended that all travel and insurance promotions be made to pay full rates. It estimated that these actions would eliminate half of all third class advertising.

The Third Class Mailers Association (TCMA), which has both for-profit and nonprofit members, contends that if preferred rates are to be maintained on the theory of public good, the Government should subsidize them, not mailers, according to Gene Del Polito, executive director of TCMA. However, if the subsidy is eliminated, TCMA agrees that preferred rates should be put into a subclass system and should pay a "fair contribution" to institutional costs. Congress must also take steps to eliminate abuses; the PRC's solution as described above, however, is viewed as going too far because it rules out all travel and insurance promotions. "A church pilgrimage should be legitimate," says Del Polito.

The position of the Alliance for Nonprofit Mailers, as described by executive director Dan Dougherty, is very similar to that of TCMA. This association contends that stricter enforcement of existing postal regulations would eliminate many of the commercial abuses. While agreeing that eligibility regulations should also be tightened, it contends that the PRC's recommendations go too far.

At press time, TCMA, the Alliance, the Direct Marketing Association and several other associations whose members are major third class mailers were working together to come up with a mutually agreeable proposal on how Congress might limit eligibility to curb commercial abuses.

- *Third class and advocacy mailings.* After the main preferred rate study, Congress asked the PRC to conduct a separate study on advocacy mailings, and to suggest how eligibility requirements could be changed to stop the use of nonprofit third class permits for lobbying efforts. The PRC recommended that "an organization intending to engage in the political activity Congress chose not to subsidize [lobbying] could be required to take out two permits: one for use with the reduced rates (for nonpolitical mail), and one merely to identify it as an otherwise eligible nonprofit entity that on this occasion was sending ineligible mail."

- *Defining nonprofit educational organizations.* The PRC noted that the definition of a nonprofit educational organization, for purposes of preferred rates, is quite broad, and may be used for purposes not originally intended by Congress, including "widely distributed publications containing a large volume of advertising." (Many nonprofit mag-

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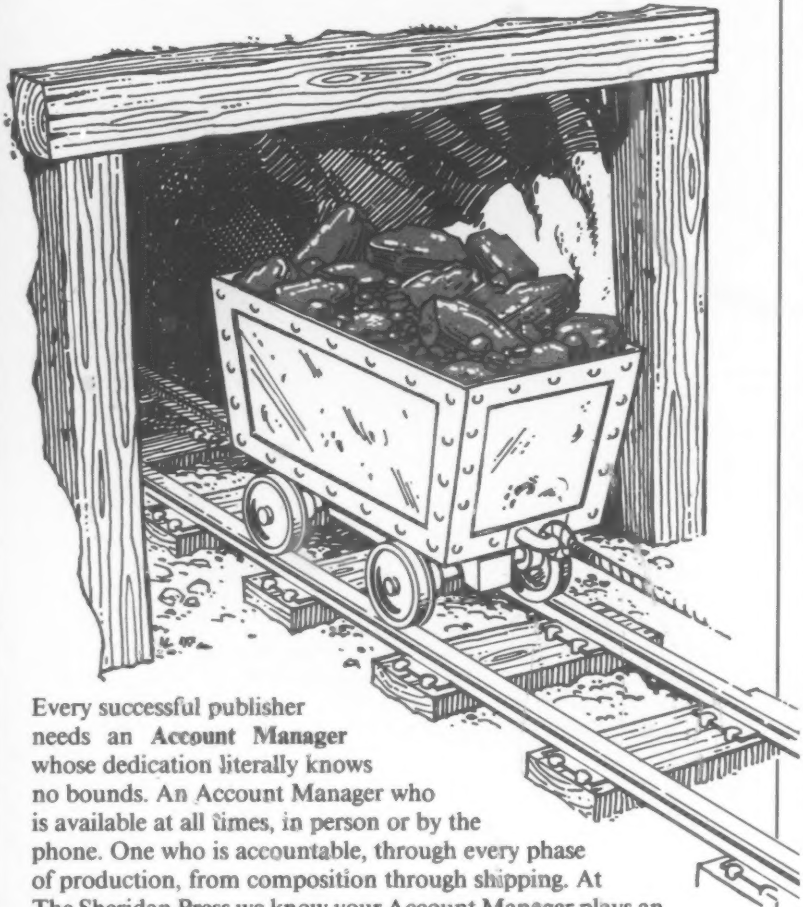

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azines are eligible for preferred rates on educational grounds.) Noting that Congress actually intended that there be a "teacher-student" interaction, the PRC concluded that for second class nonprofit privileges Congress might be willing to count the relationship between a magazine and its subscribers or recipients as an educational relationship, since the reader is either paying for or requesting the magazine. However, it added that Congress might require an actual teacher-student relation in order for a publication to qualify for a third class nonprofit permit under the educational category.

- *Second class nonprofit eligibility.* The PRC recommended that the editorial portion rate be preserved for all nonprofit publications, but that the 45 percent of nonprofit publications that have more than minimal (10 percent) advertising content be made to pay regular second class advertising rates on their advertising portions.

"No matter what tack Congress eventually takes in addressing preferred rate issues, some mailers are bound to be unhappy."

The MPA came out in favor of this solution, surprising some watchers. "[Former MPA President William] Gorog got some criticism from nonprofits for that position," says a Washington source not connected to the MPA who has been actively involved in postal rate battles for several years. "But political support for revenue forgone is weakening, and Congress will no longer react well to the attitude, 'Don't you dare even touch *my* subsidy.' The MPA approach is a reasonable compromise; it will probably end up protecting nonprofit magazines in the long run by pre-empting a more drastic approach."

Clearly, Congress and the postal authorities have a long road ahead in sorting out the pros and cons and numerous proposals relating to preferred rates. One thing is certain: Whatever the resolution, some mailers will be unhappy with it.☐

4/28/88 C3935-1 A

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Folio:

AUGUST 1988 THE MAGAZINE FOR MAGAZINE MANAGEMENT $6.00

National Magazine Awards: What makes a winner?

Why were these 14 winners selected from among 1,250 entries? Judges for this year's National Magazine Awards for editorial excellence share their opinions. Entrants were evaluated on the basis of consistent superior performance in carrying out editorial objectives; innovative editorial techniques; journalistic enterprise; and compatibility and vigor in layout and design. **85**

As market sags, builder titles bloom

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BUILDER
Professional Builder
KITCHENS & BATHS
REMODELING

Using your list to sell merchandise

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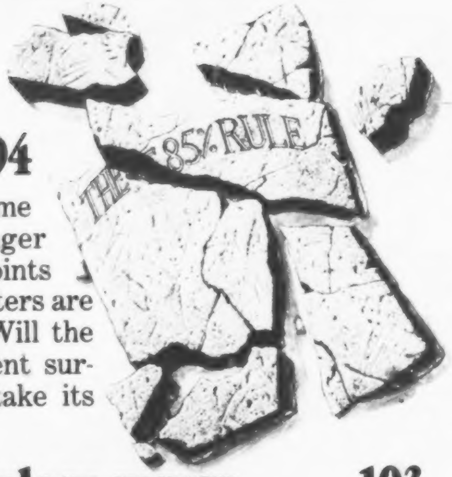

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Most U.S. publishers won't get burned by Canada's ban on cigarette ads

Although Canada now bans all forms of cigarette and tobacco advertising, most U.S. publishers who distribute in Canada won't be affected: The ruling applies only to magazines printed north of the border. Ironically, the two largest carriers of tobacco ads in Canada—*Sports Illustrated* and *People*—are both immune to the new law, observes a Canadian publishing executive. But, *Time Canada*, printed in Canada to save postage costs, will see $436,000 in cigarette ad revenue go up in smoke. *Newsweek*, which also prints copies in Canada, is currently assessing the damage, while the Canadian edition of *Reader's Digest* remains unaffected because it never accepted cigarette ads anyway. Time Inc. will fight the law, says corporate spokesman Mike Luftman. The revenue loss—a relatively small problem for Time—isn't the issue; freedom of commercial expression is.

John Beni experiences *deja vu*

In many ways, it's like coming home, says John Beni of his new job as president and chief operating officer, Working Woman/McCall's Group, jointly owned by Dale Lang and Time Inc. Beni, you see, was one of the founders of Charter Publishing Company, which owned *McCall's*, *Redbook* and *Saturday Review* in the early 1960s. Under his guidance, *Redbook* enjoyed as many as 1,600 ad pages. Several of the folks he knew on that title are now directors at *McCall's*, he says. Others come from *Parents*, the Gruner + Jahr title that Beni ran for the past 10 years. Beni, former president of Gruner + Jahr, remains mum on his split with the German-based company, although published reports say that Beni was unenthusiastic about that company's plan to import the European title, *Prima*, for the U.S. market. Once Beni is in the operations spot at Working Woman/McCall's this fall (his Gruner + Jahr contract isn't up yet), Lang will devote more attention to new product development, says Beni.

If the British get this upset about a candy company takeover . . .

Do the British care as much about publishing as they do about chocolate? If they do, prepare for fireworks. A source tells FOLIO: that the business community began fretting when rumors circulated about the possibility of a foreign takeover of Reed International, which owns 25% of Britain's consumer and business magazine publishing. The British, it seems, are not keen on foreign owners, having raised "a great fuss" recently about a Swiss company (Nestle) taking over a British chocolate company (Rowntree). "If the British care so much about a small chocolate company, they may get very upset about a foreigner—particularly someone who doesn't speak English—taking over Reed. It might start a lot of talk about monopoly, and there could be legislation to limit outside ownership. There is such legislation in Germany."

Billboard says buying spree won't end with acquisition of *American Film*

The consumer movie market is perking up, with *Premiere*, barely a year old, and *Movie USA*, released last month *(see page 56)*. Enter Billboard Publications, Inc., with its June purchase of *American Film* from the American Film Institute. Billboard's overhaul of the 130,000 circulation title will no doubt heat up competition in the field. The redesigned product and its almost entirely new staff will be relocated from New York City to the West Coast. The purchase is part of Billboard's accelerated efforts to build an art, design and entertainment empire. In April, Billboard purchased *The Hollywood Reporter* and is looking at several other properties. Billboard already publishes *Back Stage*, *Musician* and *Billboard*.

Forecast: Advertisers and readers will spend $21.4 billion on magazines in 1992

Circulation dollars will continue to outpace ad sales dollars over the next five years, according to the "Five-year communications industry forecast" released by Veronis & Suhler, a media brokerage and investment banking firm. Gross expenditures on consumer magazines will grow to $17.7 billion in 1992, with circulation accounting for $10.2 billion. Moreover, circulation spending is projected to grow 11.2% annually over the next five years, but advertising will grow only 6.3%. Business titles will lag behind, growing at an annual rate of 5.9%. Advertising, the only revenue stream for many business titles, is expected to reach $3.3 billion in 1992; circulation spending will be $400 million.

Magazines outpaced [illegible] media spending outlook

	Annual growth rate 1987-1992	Projected spending in 1992
Home video	15.2%	$13.0 billion
Business info. services	12.0	11.6
Broadcasting	10.9	52.1
Newspapers	10.0	60.9
Books	9.4	18.1
Consumer magazines	9.0	17.7
Business magazines	5.9	3.7

necessity of getting a variety of people," he says, "will be the magazines that will be around in 2050."

Twenty years ago, the trade press employed few women, notes H. L. Stevenson, corporate editor, Crain Communications. "That's changed dramatically, and I think we'll see more minorities too, if people make the effort to find them."

Newspapers are well ahead of magazines in making that effort. Currently, minorities represent about 7 percent of newsroom employees, and work force diversity was a central focus at a recent meeting of the American Newspaper Publishers Association.

By contrast, a recent study of business publishers, conducted by Kathleen Andres of the University of Akron, indicated that 2.2 percent of 374 editorial employees responding to a demographic survey were from minority groups—three blacks, four hispanics and one Asian. The spring 1988 issue of *Journalism Educator* reports that only 18 blacks, two hispanics and two Asians graduated with degrees in magazine journalism last year. On the other hand, 189 blacks obtained degrees in news-editorial writing.

Interviews with black magazine editors, personnel directors, editorial directors and journalism educators suggested two key reasons for the lack of minorities in the magazine industry:

- Only a few large companies, such as Time Inc. and Crain Communications, make strong efforts to recruit qualified minorities. At most magazines, minorities are not unwelcome, but they are not encouraged.
- The absence of minority representation tends to discourage other minorities from entering the field.

In some cases, money may also be a factor, according to Caroline Dow, professor of journalism at the University of Evansville in Indiana. "For the skill level that magazines ask for," she says, "minorities can be paid three times as much in the business world."

'A white business'

Marcia Ann Gillespie, executive editor of *Ms.* and former editor in chief of *Essence*, claims she and Audreen Ballard, executive editor of *Lear's*, are the only two blacks in major positions at nonblack consumer magazines.

"When I left *Essence*," she says, "I decided that it was highly unlikely that I would be offered an editor in chief position, unless it was at a black magazine. I'm qualified to be editor at any book. But this is a white business."

Gillespie believes that only an active recruitment effort by publishers will overcome the uncertainty many blacks feel about an industry that employs so few minorities. She entered the magazine business only because Time Inc. recruited her after she graduated from college in 1966.

The emergence of black magazines in the 1970s, she says, encouraged the hope that mainstream magazines would look seriously at blacks. "But," she says, "it hasn't happened.

"It's not that it's a conspiracy or a cabal," she says. "It's just become an issue that is not consciously recognized, or not recognized as a major problem."

Reaching out

Black journalists have also met with frustration in business publications. Ingrid Sturgis, copy editor for the Middletown, New York, *Times Herald-Record*, worked six months at business publisher Gralla Publications. There, she says, she was the only black at the associate editor level or higher at any of the 22 publications.

Gralla editorial director Howard Rauch admits that, until this year, most of the company's recruitment was done through classified ads. In recent months, however, Gralla has been visiting colleges and talking with journalism students about opportunities at the company.

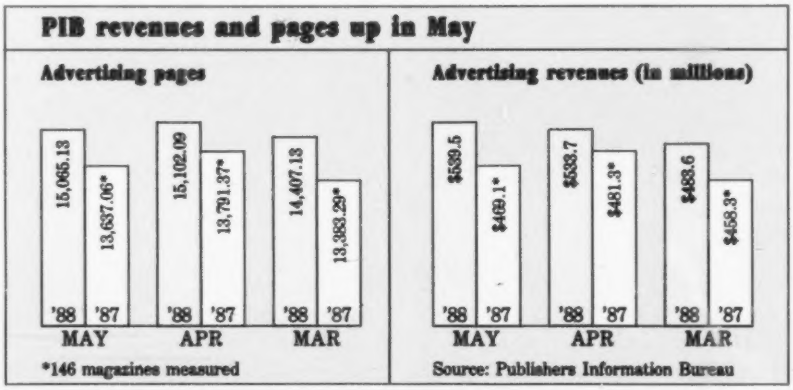
"I personally met with several black students and encouraged them to visit us," he notes. "I hope they take me up on that invitation."

Reaching out to students proved successful at Crain Communications, Inc. In the past year, the company has boosted the number of minority reporters from three to seven, and the number of editorial assistants from five to 10. "We've tried to make ourselves more visible on college campuses and at minority job fairs sponsored by newspaper publishers," says Stevenson. The only other magazine companies attending the fairs, he claims, have been Time Inc., *Newsweek* and McGraw-Hill.

Crain has also received tips on qualified applicants from the National Association of Black Journalists.

Neither the Magazine Publishers of America (MPA) nor the Association of Business Publishers (ABP), to date, have official policies regarding minority recruitment or employment. Both, however, have summer intern programs that offer opportunities to minorities. The MPA, through the American Society of Magazine Editors (ASME), has placed 63 students in positions this year, including three blacks and three Asians. The ABP, through its Business Press Education Foundation (BPEF), has named 27 students to its program, three of them black, two hispanic and two Asian.

Robert Kenyon, executive director of ASME, says that "we have never been called upon to play a role" in recruiting minorities, although "we welcome minorities who come into the field." *Fortune* managing editor Marshall Loeb, ASME's new president, says he is addressing minority representation. He asserts, however, that "I am absolutely certain that discrimination does not exist" in the industry.—*M.G.*



PIB revenues and pages up in May

*146 magazines measured

Source: Publishers Information Bureau

Ad revenues in May were up 13.6 percent over May 1987. Year-to-date revenue is $2.4 billion, up 11.8 percent over last year. Pages for May were up 5.8 percent; the year-to-date total, 68,290.36, is up 5.6 percent.

Large ads, run frequently, boost reader response

McGraw-Hill Research offers further support that larger ads, and those run with greater frequency, have greater impact on readers.

Four-color spreads attract more than twice the attention given four-color, two-thirds page ads, states the recent report from McGraw-Hill's Laboratory of Advertising Performance (LAP). Full-page ads pulled one-and-one-half times more attention than the two-thirds page test index.

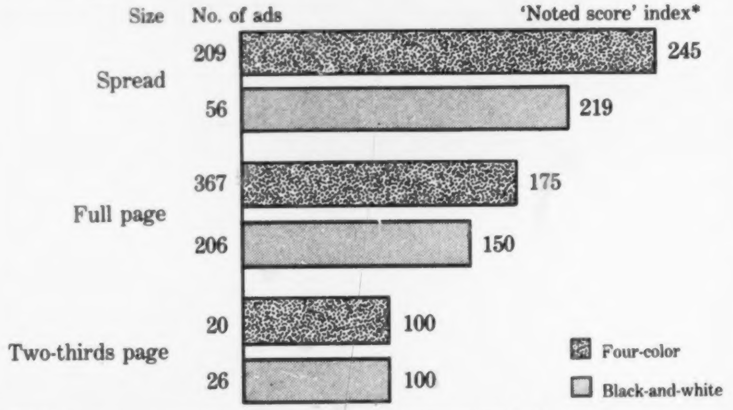
Black-and-white ads produced similar results. Readers were also much more likely to read some or most of the written material in larger ads.

The findings came from an analysis of 884 ads appearing in the Industrial Technology edition of *Business Week*. The study was conducted over two years, among a representative sample of 150 readers of each issue.

A second LAP study found that the same full-page, four-color ad run 13 times in *Architectural Record* continued to pull strong reader response with each repeated insertion. In fact, in five of the first six repeat insertions, the ad generated more inquiries than did the initial insertion. Reader response in the second half of the campaign never dipped below 80 percent of the initial response.

McGraw-Hill tracked response from July 1986 through October 1987.☐

Color spreads draw greatest attention



*'Noted score' represents percentage of readers who remembered ads 2/3 page is indexed at 100

Source: Laboratory of Advertising Performance/McGraw-Hill Research

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FOLIO:'s 1988

Editorial salary survey

It's been said that those in editorial work for the glory, not for money. This year's salary survey, which tracks salary by title, region, sex and more, suggests they can have both

BY ROBERT M. STEED

MICHELLE REEH

The editorial employees who responded to FOLIO:'s fourth annual compensation survey have a deep commitment to the editorial product, whether they've been in the business one year or 30, and whether they make $15,000 or $150,000. They derive great satisfaction from their ability to communicate with and influence their audience.

However, one respondent took issue with the frequently expressed view that editors are satisfied with the psychological rewards of the profession and "don't work for the money." Of course they do. And our survey provides insights into the salary and total compensation levels that their talent and dedication can earn, as well as into the main factors, other than their individual contributions, that can affect their earnings.

Some of the more significant general findings from the responses of over 550 editorial and art professionals working on consumer and business publications are as follows:

- Experience pays. There is a clear, steady correlation, across all job titles, between length of time in editorial and compensation.
- Size counts. There is also a correlation between the size of the magazine and compensation—but the differences are significant only for very large magazines. For example, in general there are relatively gradual increases in pay as circulation rises—until it hits 500,000 plus, where pay jumps sharply.
- Women continue to earn less than their male counterparts—from a low of 66 percent of men's salaries for editorial management to a high of 88 percent for managing editors. And in every job category, the difference in pay is larger on business magazines than on consumer magazines.
- The salaries of people who receive a bonus are higher, surprisingly, than their counterparts who do not.
- Editorial employees on weeklies and biweeklies almost always earn substantially more than those who work on magazines with other frequencies.

The differences in average compensation among the four editorial job titles (other than art director) are fairly small. Salaries for those in editorial management positions average only 38 percent more than salaries for editors—who earn 16 percent more than managing editors—who earn 10 percent more than senior/associate editors. This compression may be an indication that editorial employees tend to be paid more on the basis of their contribution and creativity than their titles.

Further, the ratio between the highest and lowest paid people in most job categories is relatively small. The top one-third of editorial management respondents earn about 3.5 times the bottom one-third; but in all other categories the top one-third earn only between 2.1 and 2.5 times what the bottom one-third earn. This fairly narrow spread may be a further indication that individual performance has a stronger impact on pay than organizational factors.

Editorial management

The editorial management category is the top editorial job in the company or magazine. It is the only job category where there is significant difference by type of magazine, with editorial managers on business maga-

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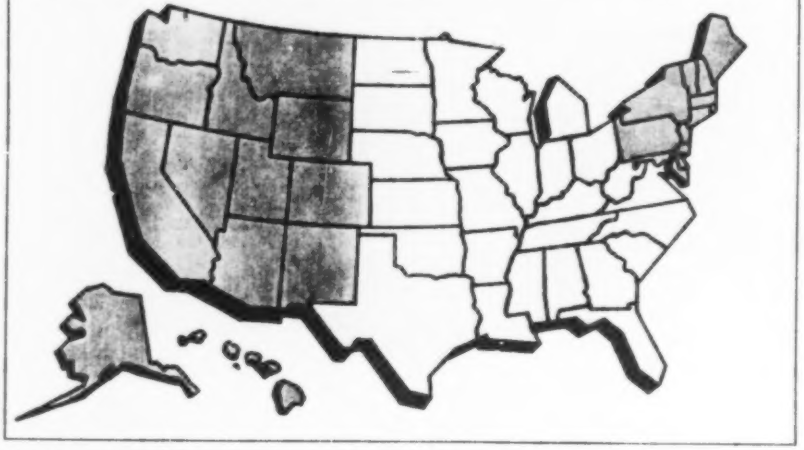
The regions have been divided as follows:

▨ Western ☐ South Atlantic/Central ■ Northeast



zines earning 15.5 percent more than their consumer magazine counterparts.

This anomaly results from seven respondents working on consumer magazines who had three years or less experience, and who average only $20,829 in salary. If they were to be excluded from the data, salaries for editorial managers on business magazines would be only 2.5 percent higher than for those on consumer magazines.

Salaries are highest in the Northeast, which is true throughout all job titles. Interestingly, however, total compensation is highest in the West, reflecting sizable bonus payments to respondents in that region.

Experience is less of a factor in this category than in other job categories. Editorial managers with four to 10 years in the business earn only 25 percent less than those with 11 to 20 years or those with more than 20.

Women managers earn only 66 percent of what their male counterparts earn; and those on business magazines earn only 62 percent. Because this survey can examine only one variable at a time (see box), it is not possible to determine to what extent, if any, this outcome is a result of factors other than sex—for example, the size or frequency of the magazines female respondents work on or the length of time they have worked in editorial.

The impact of bonus eligibility is especially striking among editorial management. Those who receive bonuses are paid salaries 35 percent higher than those who don't; and their total compensation is 63 percent higher. Because bonuses are paid in roughly similar proportions without regard to the size of the magazine, it would appear that higher salaries in bonus-paying companies result from differences in compensation philosophy between those companies that pay bonuses and those that don't—or perhaps from differences in their profitability.

The size of the magazine is clearly correlated with salary. The best indicator is size of the editorial department. Editorial managers who supervise six to 10 people are paid an average of $69,478, versus about $46,000 to $49,000 for those with smaller staffs; and those with staffs of more than 10 people earn $89,400. Although circulation size has some impact, it is not as dramatic, except for consumer magazines with circulations over 500,000. Another measure of size—number of editorial pages—also generally correlates with salary; although, oddly, business magazines with the smallest number of pages pay the largest salaries.

Frequency is another clear indicator, with managers on weekly/biweekly magazines earning salaries averaging $83,643, sharply higher than the average salary for managers on monthlies ($58,313) or magazines with other frequencies ($46,138).

Editor

Most of the patterns seen in the data on editorial management are repeated among editors. Once again, the Northeast is the place to work; editors there earn salaries over 20 percent higher than salaries for those in other regions. The South Atlantic/Central region is second among business editors, and the West is second among those on consumer magazines. As with editorial management, editors on weeklies and biweeklies earn substantially more than their counterparts on magazines with other frequencies.

Although female editors still earn

Using the numbers

It is important to use the salary information in this survey cautiously. In many instances there were not enough respondents in certain cells to allow valid conclusions to be reached. For this reason, FOLIO: is publishing the number of respondents in each cell (shown in parentheses). In addition, not all respondents answered all questions. Therefore, the total number of respondents in the "average" column of a chart is not necessarily the sum of the subcategories.

The survey also examines only one variable at a time. For example, editors in the Northeast earn higher salaries than their peers in other regions—but are those in the Northeast who participated in the survey working on larger magazines? Are they the ones with the most experience? The survey methodology does not enable these multiple variables to be analyzed.

One should be extremely cautious about comparing the data in this survey with data from prior years. Those who responded to this survey may well come from a different mix of magazines—especially related to size—than respondents to prior surveys. Comparisons are thus best made not on the broad averages, but on the more detailed breakdowns by magazine size, respondents' experience, and the like. Last, for the first time, FOLIO: is combining salary and bonus for those reporting both types of compensation in order to give a truer picture of total compensation for editorial personnel.

less than male editors, the ratio is 81 percent, versus 66 percent for editorial management. And although editors who receive a bonus are paid higher salaries than those who don't, the difference averages only $3,000, as opposed to $17,500 for editorial management; and the total compensation of editors receiving bonuses is only $10,000 higher than the total compensation of those who receive no bonus, versus the difference of $28,000 plus for those in editorial management.

The impact of experience on salary levels is very clear. Editors in the business three years or less earn $27,147; and salary marches steadily up, with those having more than 20 years' experience earning $61,080. The total compensation data show the same trend.

> "The chance to mesh the demands of the marketplace with the demands of creative personnel is what I enjoy."
>
> —Editorial manager in the West, earning a salary and bonus of roughly $20,000.

Size of the magazine remains a good indicator of compensation, but it seems to have a truly significant impact only at the very largest magazines. For example:

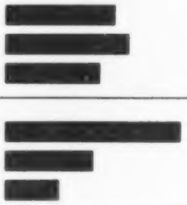
- Salary moves slowly upward from $31,906 for editors who supervise no other employees to $49,201 for those supervising six to 10 people. It then leaps to $76,762 for those with a staff of 10 or more.
- Editors on magazines with 500,000 or more in circulation average $75,813 in salary; those on smaller magazines average between $32,133 and $46,825.
- Magazines with 1,000 or more editorial pages pay their editors significantly more than magazines with fewer pages.

Managing editor

Although the patterns described for editors also apply to the managing editors who responded to FOLIO:'s survey, the differences in compensation

Editorial management

(Editor and publisher, editor in chief, editorial director) Sets editorial policy. May hold other titles; may be in charge of other products and other departments in addition to editorial. The editor reports to this individual.



Average salaries (The number of respondents is in parentheses.)		% increase from '87 to '88
All respondents	$58,774 (109)	8.0%
Business	62,291 (66)	7.1
Consumer	53,922 (41)	9.8
Top one-third	$95,839 (36)	
Middle one-third	53,711 (36)	
Bottom one-third	27,638 (37)	

	Average	Average business	Average consumer
By region:			
Northeast	$64,528 (44)	$69,477 (33)	$49,682 (11)
South Atlantic/Central	53,504 (44)	51,591 (22)	56,740 (20)
Western	57,762 (21)	62,136 (11)	52,950 (10)
By sex:			
Male	$65,267 (77)	$68,543 (50)	$59,200 (27)
Female	43,152 (32)	42,756 (16)	43,743 (14)
By years in editorial:			
Up to 3	$20,829 (7)	$ 0 (0)	$20,829 (7)
4-10	52,788 (35)	52,101 (21)	53,469 (13)
11-20	65,784 (45)	67,324 (29)	65,460 (15)
More than 20	66,032 (22)	66,544 (16)	64,667 (6)
Eligible for bonus/incentive:			
Yes	$66,787 (59)	$70,969 (38)	$59,219 (21)
No	49,319 (50)	50,514 (28)	48,360 (20)
By no. of editorial employees supervised:			
None	$45,622 (7)	$ 0 (0)	$43,500 (6)
One	48,938 (13)	63,656 (9)	15,825 (4)
2-5	45,835 (47)	50,174 (30)	38,938 (16)
6-10	69,478 (23)	67,393 (14)	72,722 (9)
More than 10	89,400 (19)	83,815 (13)	101,500 (6)
By circulation:†			
Up to 19,999	$53,229 (21)	$59,271 (14)	$41,143 (7)
20,000-49,999	48,893 (30)	54,571 (21)	36,850 (8)
50,000-99,999	63,608 (19)	65,473 (11)	61,429 (7)
100,000-499,999	65,198 (32)	70,770 (16)	59,625 (16)
500,000 and more	75,271 (7)	70,725 (4)	81,333 (3)
By frequency:†			
Weekly/biweekly	$83,643 (14)	$85,091 (11)	$78,333 (3)
Monthly	58,313 (70)	57,507 (45)	61,171 (24)
Other	46,138 (25)	58,740 (10)	36,264 (14)
By average editorial pages produced annually:†			
Up to 499	$52,588 (32)	$72,340 (15)	$35,159 (17)
500-999	57,827 (41)	55,577 (25)	63,700 (15)
1,000 and more	67,509 (32)	65,335 (23)	73,067 (9)

†Refers to the largest circulation magazine on which respondent works

levels are smaller. For instance, the salaries of those who receive a bonus average only $2,000 more than those who don't. And women earn 88 percent of the salaries of men—and are virtually on a par with them in consumer magazines.

Experience continues to pay off. Managing editors with more than 10 years in the business earn salaries that are 62 percent higher than those with three years or less. Being in the Northeast helps, too; managing editors there earn salaries of $39,731, versus $34,812 in the South Atlantic/Central and $31,055 in the West.

> "It's the constant variety and stress that appeals to me. (I think I am a stress junkie sometimes.) It's like making something new and alive every month. Every time I see a new issue, I forget the gestation and labor."
>
> —Editor in the Midwest, earning salary in the low forties, working on a monthly business magazine.

[redacted]

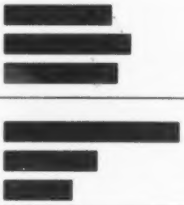
Size of the magazine, measured either by the number of employees supervised or by circulation, also correlates directly with salary. Again, the differences are modest, though steady, at the lower end and then show a quantum leap in the largest magazines. Thus, managing editors who supervise zero to five employees earn between $24,128 and $33,160; those who supervise more than five earn over $50,000. Further, those on magazines with circulations up to 500,000 range from $27,132 to $38,674, while managing editors on magazines with circulations over 500,000 average $55,348.

Publishing frequency does not seem to make much difference in the pay of managing editors. Those on weeklies and biweeklies earn only slightly more than their counterparts on magazines publishing at other frequencies. Number of editorial pages produced remains a good indicator of

Editor

Responsible for editorial direction and content, including art, text and cover of one or more magazines.

Average salaries (The number of respondents is in parentheses.)



		% increase from '87 to '88
All respondents	$42,505 (137)	12.1%
Business	43,738 (72)	14.0
Consumer	42,690 (56)	9.1
Top one-third	$64,384 (45)	
Middle one-third	38,541 (46)	
Bottom one-third	25,064 (46)	

	Average	Average business	Average consumer
By region:			
Northeast	$47,847 (55)	$48,009 (32)	$49,252 (21)
South Atlantic/Central	38,697 (59)	41,359 (29)	36,858 (26)
Western	39,499 (23)	37,586 (11)	44,225 (9)
By sex:			
Male	$45,817 (83)	$47,916 (41)	$45,320 (37)
Female	37,026 (53)	37,552 (30)	37,568 (19)
By years in editorial:			
Up to 3	$27,147 (17)	$29,833 (6)	$26,563 (8)
4-10	37,397 (59)	36,859 (34)	39,487 (23)
11-20	47,590 (39)	46,667 (18)	49,860 (17)
More than 20	61,080 (20)	63,600 (13)	56,400 (7)
Eligible for bonus/incentive:			
Yes	$44,651 (54)	$46,050 (29)	$43,535 (23)
No	41,850 (80)	42,587 (42)	42,666 (32)
By no. of editorial employees supervised:			
None	$31,906 (16)	$33,571 (7)	$32,500 (7)
One	34,606 (25)	31,722 (12)	38,290 (12)
2-5	36,999 (61)	39,345 (33)	34,006 (22)
6-10	49,201 (18)	47,640 (8)	50,450 (10)
More than 10	76,762 (17)	71,163 (12)	90,200 (5)
By circulation:†			
Up to 19,999	$32,133 (26)	$33,355 (21)	$30,000 (4)
20,000-49,999	36,385 (37)	41,095 (20)	30,996 (16)
50,000-99,999	44,182 (21)	49,839 (9)	39,928 (10)
100,000-499,999	46,825 (45)	54,201 (21)	42,574 (19)
500,000 and more	75,813 (8)	40,000 (1)	80,929 (7)
By frequency:†			
Weekly/biweekly	$62,574 (19)	$58,107 (14)	$100,333 (3)
Monthly	41,377 (90)	41,470 (46)	41,151 (42)
Other	32,511 (28)	35,668 (12)	32,845 (11)
By average editorial pages produced annually:†			
Up to 499	$35,289 (50)	$34,934 (25)	$37,306 (20)
500-999	38,321 (46)	36,422 (22)	40,848 (23)
1,000 and more	57,969 (36)	60,023 (22)	59,091 (11)

†Refers to the largest circulation magazine on which respondent works

salary; managing editors on magazines with 1,000 or more pages annually receive an average salary of $43,808, while those with under 500 are paid $31,242.

Senior/associate editor

For this job category, the clearest correlation to salary lies in length of service in the industry. Those who are just starting out average $21,756, while those with 20 plus years of experience average $50,150, and the progression between is very steady.

As with all other titles, the Northeast is the place to be, with salaries there about $4,500 more than in the South Atlantic/Central regions, and almost $7,500 more than in the West. And the compensation of women continues to lag; their salaries are only 76 percent of the salaries of men who are senior/associate editors.

> **"The problem solving and the satisfaction in producing a well-written, well-printed publication that is warmly and enthusiastically praised by the subscribers make my job worthwhile."**
>
> —Managing editor in the Northeast with 20 years' experience, earning roughly $30,000 in salary.

[redacted]

The size of the magazine makes little difference in this job category, unless the individual has supervisory responsibility for five or more employees—in which case salary is virtually double that of people supervising fewer people or none. Weeklies and biweeklies pay more in this category too—as do magazines with 1,000 or more editorial pages.

But, as opposed to every other job category, there is no relationship between salary and circulation. Senior/associate editors working on magazines with under 20,000 in circulation earn more than those working at magazines with circulations between

Managing editor

Coordinates editorial, art and production departments to ensure that the magazine is put out on time and in an acceptable form. Oversees the copy editing and proofreading staff to make sure the magazine is factually and grammatically correct.

Average salaries (The number of respondents is in parentheses.)

		% increase from '87 to '88
All respondents	$36,526 (124)	9.4%
Business	36,097 (65)	10.9
Consumer	37,017 (53)	8.3
Top one-third	$52,505 (41)	
Middle one-third	33,858 (41)	
Bottom one-third	23,531 (42)	

	Average	Average business	Average consumer
By region:			
Northeast	$39,731 (60)	$39,589 (31)	$40,324 (25)
South Atlantic/Central	34,812 (42)	33,282 (26)	37,449 (14)
Western	31,055 (22)	31,713 (8)	30,679 (14)
By sex:			
Male	$39,237 (51)	$40,606 (26)	$37,288 (22)
Female	34,632 (73)	33,091 (39)	36,825 (31)
By years in editorial:			
Up to 3	$28,236 (23)	$26,650 (12)	$26,962 (10)
4-10	35,548 (66)	35,832 (36)	35,848 (28)
More than 10	45,927 (32)	44,222 (16)	50,279 (13)
Eligible for bonus/incentive:			
Yes	$37,721 (58)	$37,151 (29)	$39,183 (27)
No	35,621 (65)	35,248 (36)	35,118 (25)
By no. of editorial employees supervised:			
None	$24,128 (14)	$25,100 (8)	$22,198 (5)
One	30,224 (23)	31,579 (12)	27,356 (9)
2-5	33,160 (54)	34,720 (27)	31,527 (25)
6-10	50,405 (22)	41,417 (12)	61,322 (9)
More than 10	54,753 (10)	56,580 (5)	52,925 (5)
By circulation:†			
Up to 19,999	$27,132 (11)	$25,272 (9)	$ 0 (0)
20,000-49,999	30,529 (34)	32,192 (24)	25,361 (8)
50,000-99,999	34,811 (19)	35,690 (10)	33,833 (9)
100,000-499,999	38,674 (45)	44,635 (21)	32,522 (22)
500,000 and more	55,348 (13)	52,000 (1)	55,627 (12)
By frequency:†			
Weekly/biweekly	$38,485 (13)	$39,238 (8)	$37,225 (4)
Monthly	36,857 (72)	35,840 (43)	38,365 (29)
Other	35,260 (39)	35,089 (14)	35,020 (20)
By average editorial pages produced annually:†			
Up to 499	$31,242 (37)	$29,392 (18)	$33,877 (17)
500-999	36,098 (51)	36,173 (28)	35,908 (20)
1,000 and more	43,808 (30)	44,136 (14)	42,422 (15)

†Refers to the largest circulation magazine on which respondent works

20,000 and 100,000; and those working at magazines with circulations between 100,000 and 500,000 have the highest average salary.

Art director

Although art directors are in a different discipline from the editorial employees discussed to this point, their compensation appears to be determined by the same factors. Thus, art directors in the Northeast earn substantially more than those in other parts of the country; female art directors earn 87 percent of what their male counterparts earn; and the salary of art directors who receive a bonus is almost $4,500 more than those who don't.

Experience once again provides the most consistent correlation to salary, moving steadily up from $24,897 for those just entering the field to $44,199 for those with over 10 years in the business. Size of the magazine appears to have an impact only at the largest magazines. Salary averages $60,600 for those who supervise more than five people, but only between $28,749 and $36,615 for those with less supervisory responsibility. The same sizable jump occurs for art directors on magazines with over 500,000 in circulation, who earn $50,635 compared with $27,789 to $36,356 for those on smaller magazines.

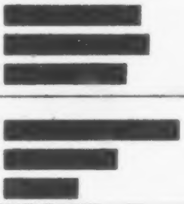
On the other hand, neither frequency nor number of pages seems to have an appreciable impact on salary. Art directors on monthlies earn about the same salary as those working on weeklies and biweeklies; and those on

> **"I get a feeling of power and influence, and the ability to see tangible results of my efforts. I enjoy freedom that most other white collar workers, especially those under 30, only dream of."**
>
> —Senior/associate editor in the Northeast working on a weekly business magazine, earning more than $30,000 in salary.

Senior/associate editor

Plans and writes features and other articles. May head editorial feature department and may oversee other editorial employees, freelance writers and designers. Keeps abreast of trends and news; is responsible for all editorial work in assigned subject area.

Average salaries (The number of respondents is in parentheses.)



		% increase from '87 to '88
All respondents	$33,499 (96)	7.0%
Business	34,110 (52)	6.3
Consumer	32,790 (42)	8.0
Top one-third	$49,427 (32)	
Middle one-third	30,368 (32)	
Bottom one-third	20,701 (32)	

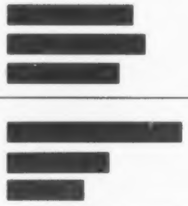
	Average	Average business	Average consumer
By region:			
Northeast	$36,753 (38)	$36,237 (19)	$37,831 (17)
South Atlantic/Central	32,119 (42)	33,554 (28)	29,249 (14)
Western	29,392 (16)	29,140 (5)	29,506 (11)
By sex:			
Male	$38,488 (45)	$41,311 (22)	$35,823 (22)
Female	29,097 (51)	28,829 (30)	29,454 (20)
By years in editorial:			
Up to 3	$21,756 (20)	$23,813 (8)	$20,385 (12)
4-10	30,654 (39)	30,310 (24)	31,290 (14)
11-20	40,338 (26)	35,606 (12)	44,393 (14)
More than 20	50,150 (10)	53,563 (8)	36,500 (2)
Eligible for bonus/incentive:			
Yes	$34,325 (41)	$33,710 (22)	$35,038 (19)
No	32,145 (52)	33,575 (28)	30,293 (22)
By no. of editorial employees supervised:			
None	$30,575 (56)	$32,695 (31)	$27,653 (24)
One	27,978 (15)	25,964 (9)	31,000 (6)
2-5	36,528 (18)	43,778 (9)	29,188 (8)
More than 5	60,929 (7)	44,167 (3)	73,500 (4)
By circulation:†			
Up to 19,999	$31,727 (11)	$34,222 (9)	$20,500 (2)
20,000-49,999	24,693 (15)	28,489 (9)	19,000 (6)
50,000-99,999	29,444 (18)	30,400 (10)	27,286 (7)
100,000-499,999	38,136 (36)	38,060 (22)	38,255 (14)
500,000 and more	36,640 (15)	24,000 (1)	38,124 (13)
By frequency:†			
Weekly/biweekly	$42,844 (16)	$41,250 (14)	$54,000 (2)
Monthly	31,704 (63)	30,304 (30)	33,069 (32)
Other	31,357 (17)	35,888 (8)	26,371 (8)
By average editorial pages produced annually:†			
Up to 499	$27,824 (23)	$27,615 (12)	$27,064 (9)
500-999	33,314 (37)	35,028 (18)	31,689 (19)
1,000 and more	37,773 (28)	38,619 (18)	36,250 (10)

†Refers to the largest circulation magazine on which respondent works

Art director

Oversees all editorial art and design work for the magazine. Oversees art production. Also heads photography and illustration.

Average salaries (The number of respondents is in parentheses.)



		% increase from '87 to '88
All respondents	$34,740 (87)	7.6%
Business	35,301 (52)	8.4
Consumer	33,907 (35)	6.3
Top one-third	$48,852 (29)	
Middle one-third	32,603 (29)	
Bottom one-third	22,767 (29)	

	Average	Average business	Average consumer
By region:			
Northeast	$38,047 (37)	$38,878 (27)	$35,804 (10)
South Atlantic/Central	30,696 (29)	31,388 (18)	29,564 (11)
Western	34,500 (21)	31,571 (7)	35,964 (14)
By sex:			
Male	$37,371 (41)	$39,568 (22)	$34,826 (19)
Female	32,396 (46)	32,173 (30)	32,815 (16)
By years in art:			
Up to 3	$24,897 (19)	$24,944 (9)	$24,854 (10)
4-10	34,919 (42)	35,388 (24)	34,294 (18)
More than 10	44,199 (22)	41,617 (16)	51,083 (6)
Eligible for bonus/incentive:			
Yes	$37,147 (41)	$35,452 (25)	$39,796 (16)
No	32,595 (46)	35,162 (27)	28,947 (19)
By no. of design/art employees supervised:			
None	$28,749 (19)	$31,530 (10)	$25,660 (9)
One	31,272 (25)	33,038 (13)	29,358 (12)
2-5	36,615 (38)	36,514 (27)	36,864 (11)
More than 5	60,600 (5)	52,500 (2)	66,000 (3)
By circulation:†			
Up to 19,999	$31,571 (7)	$31,571 (7)	$ 0 (0)
20,000-49,999	27,789 (19)	30,409 (11)	24,188 (8)
50,000-99,999	36,356 (16)	40,300 (10)	29,783 (6)
100,000-499,999	36,321 (41)	35,964 (23)	36,778 (18)
500,000 and more	50,635 (4)	50,000 (1)	50,847 (3)
By frequency:†			
Weekly/biweekly	$36,578 (16)	$37,973 (11)	$33,508 (5)
Monthly	35,210 (56)	35,069 (36)	35,465 (20)
Other	30,743 (14)	30,125 (4)	30,990 (10)
By average editorial pages produced annually:†			
Up to 499	$34,556 (12)	$34,147 (8)	$35,375 (4)
500-999	36,533 (39)	36,557 (23)	36,500 (16)
1,000 and more	34,883 (27)	35,813 (16)	33,531 (11)

†Refers to the largest circulation magazine on which respondent works

magazines with 500 to 1,000 editorial pages earn slightly more than those on either smaller or larger magazines.

Bonus/incentive payments

Because a number of editorial employees receive bonus or incentive payments, FOLIO: has included two additional charts, one showing the total compensation—salary plus bonus/incentive—for those who receive both, and the other showing the average annual bonus/incentive payment. Although the total compensation numbers are, naturally, higher than those for salary alone, the key determinants and relationships—*i.e.*, experience, frequency, circulation size (especially over 500,000), supervisory responsibility and, unfortunately, sex—remain generally the same.

> "The rhythm of steady deadlines (such as they are!), long-term relationships, both of these have it all over working for an advertising studio."
>
> —Art director in the Northeast, with almost 10 years' experience, earning salary in the low thirties.

Bonuses are paid to 38 percent of the editors in this survey, 42 percent of the senior/associate editors, 46 percent of the managing editors and art directors, and 53 percent of those in editorial management. Editorial employees on weeklies and biweeklies are somewhat more likely to receive bonuses than are their counterparts on other magazines. But bonuses are not paid just at large magazines. Indeed, within each job category, bonuses appear to be paid in roughly similar proportions in most of the breakdowns of the data by magazine size. Thus, the existence of bonus programs would appear to be largely a function of compensation philosophy and, probably, profitability.

More than psychological rewards

But whether editorial employees are paid a bonus or not, whether they are just starting an editorial career or have several decades of experience, whether they work for small magazines or one of the industry giants—the data in this survey demonstrate that, with perseverance and skill, talent and energy, they can reap more than just the psychological rewards that come from creation of the editorial product. They can also earn good money that reflects their contribution to publishing success.

Methodology

Six hundred four of the 1,145 editorial professionals who received questionnaires responded to FOLIO:'s fourth annual editorial salary survey, resulting in a response rate of 52.75 percent. Of the total responses, 559 contained sufficient information to be used for tabulation. The survey was conducted through two mailing efforts, one in January and one in February. Participants were asked to supply data reflecting 1988 earnings; if exact figures were unavailable, they were requested to estimate.

In some cases, respondents did not give an exact bonus figure, but gave an expected range instead. Here the mean was used for tabulation. For example, if an editorial professional indicated that his or her annual bonus would be between $10,000 and $12,000, the arithmetic mean of $11,000 was used as that respondent's expected bonus for the year.

The sample was evenly divided among the five categories of editorial professionals. Each category was also evenly divided between consumer and business publications. A job description has been included with each compensation chart. These descriptions were printed on the questionnaire; and respondents were asked to choose the description that most accurately reflected their duties.

Average annual total compensation*

	Editorial management	Editor	Managing editor	Senior/ associate editor	Art director
Receive bonus/incentive:					
Yes	$77,986 (57)	$52,522 (48)	$41,533 (56)	$38,068 (37)	$41,394 (37)
No	49,319 (50)	41,850 (80)	35,621 (65)	32,145 (52)	32,595 (46)
By magazine type:†					
Consumer	$69,823 (20)	$52,690 (20)	$43,794 (26)	$39,968 (17)	$46,885 (13)
Business	82,398 (37)	53,284 (26)	40,364 (28)	36,454 (20)	38,420 (24)
By region:					
Northeast	$80,184 (28)	$60,221 (22)	$44,463 (30)	$44,251 (16)	$46,273 (18)
South Atlantic/Central	66,422 (19)	42,168 (22)	42,531 (17)	33,007 (16)	31,103 (9)
Western	93,800 (10)	67,125 (4)	29,878 (9)	34,480 (5)	41,875 (10)
By sex:					
Male	$84,065 (44)	$57,589 (31)	$48,447 (23)	$43,945 (21)	$44,201 (18)
Female	57,410 (13)	43,282 (17)	36,714 (33)	30,355 (16)	38,736 (19)
By years in editorial:					
Up to 3	$27,025 (3)	$37,620 (5)	$31,052 (10)	$20,394 (8)	$31,600 (6)
4-10	78,613 (20)	40,095 (19)	41,251 (33)	35,421 (14)	38,485 (21)
11-20	81,383 (27)	57,493 (14)	51,703 (10)	47,358 (11)	53,600 (8)
More than 20	84,929 (7)	76,626 (10)	53,250 (2)	57,138 (4)	52,000 (1)
Responsible for:					
One magazine	$79,491 (36)	$56,486 (31)	$43,526 (41)	$40,225 (31)	$45,275 (14)
More than one magazine	75,405 (21)	45,294 (17)	36,083 (15)	26,927 (6)	39,032 (23)
By no. of editorial employees supervised:					
None	$65,000 (1)	$42,250 (4)	$21,713 (4)	$29,686 (18)	NA
One	99,033 (6)	32,726 (8)	29,617 (6)	29,146 (6)	NA
2-5	50,978 (24)	37,623 (16)	38,043 (28)	45,428 (9)	NA
6-10	85,271 (12)	55,500 (11)	48,871 (12)	65,820 (3)	NA
More than 10	109,946 (14)	97,533 (9)	68,271 (6)	93,000 (1)	NA
By circulation:†					
Up to 19,999	$75,791 (11)	$31,759 (7)	$29,690 (5)	$47,990 (4)	$42,938 (4)
20,000-49,999	69,329 (13)	44,388 (16)	32,235 (12)	27,920 (5)	36,886 (7)
50,000-99,999	80,000 (12)	57,460 (5)	41,588 (8)	32,967 (6)	35,823 (8)
100,000-499,999	82,289 (18)	54,623 (16)	44,202 (21)	38,267 (16)	41,341 (16)
500,000 and more	89,667 (3)	106,825 (4)	53,514 (9)	44,484 (6)	76,800 (2)
By frequency:†					
Weekly/biweekly	$106,125 (8)	$77,270 (10)	$43,586 (7)	$56,629 (7)	$43,890 (7)
Monthly	77,185 (38)	47,687 (34)	41,673 (33)	34,287 (25)	41,202 (27)
Other	60,286 (11)	31,750 (4)	40,344 (16)	30,990 (5)	37,300 (3)
By average editorial pages produced annually:†					
Up to 499	$87,088 (14)	$39,640 (15)	$33,311 (14)	$26,622 (8)	$34,500 (3)
500-999	72,671 (24)	47,232 (13)	42,317 (23)	40,882 (13)	44,961 (18)
1,000 and more	80,991 (17)	67,303 (18)	48,411 (17)	42,785 (14)	39,499 (14)

***Includes only individuals who reported receiving both salary and bonus; The number of respondents is in parentheses.**
†Refers to the largest circulation magazine on which respondent works

Average annual bonus/incentive*

	Editorial management	Editor	Managing editor	Senior/ associate editor	Art director
Average bonus/incentive:	$10,430 (57)	$6,290 (48)	$3,599 (56)	$1,965 (37)	$2,556 (37)
By magazine type:†					
Consumer	$8,893 (20)	$6,325 (20)	$4,008 (26)	$2,396 (17)	$3,139 (13)
Business	11,268 (37)	6,458 (26)	3,315 (28)	1,598 (20)	2,241 (24)
By region:					
Northeast	$9,869 (28)	$8,078 (22)	$3,302 (30)	$2,431 (16)	$3,134 (18)
South Atlantic/Central	6,101 (19)	3,259 (22)	5,262 (17)	1,688 (16)	1,703 (9)
Western	20,250 (10)	13,125 (4)	1,444 (9)	1,360 (5)	2,285 (10)
By sex:					
Male	$11,114 (44)	$8,223 (31)	$5,950 (23)	$2,472 (21)	$2,867 (18)
Female	8,133 (13)	2,765 (17)	1,960 (33)	1,299 (16)	2,262 (19)
By years in editorial:					
Up to 3	$858 (3)	$1,520 (5)	$1,947 (10)	$1,254 (8)	$2,200 (6)
4-10	14,851 (20)	2,045 (19)	3,165 (33)	1,675 (14)	1,861 (21)
11-20	8,969 (27)	8,107 (14)	7,060 (10)	2,469 (11)	4,350 (8)
More than 20	7,571 (7)	14,196 (10)	2,750 (2)	3,013 (4)	4,500 (1)
Responsible for:					
One magazine	$12,201 (36)	$7,639 (31)	$4,066 (41)	$2,166 (31)	$3,004 (14)
More than one magazine	7,405 (21)	3,829 (17)	2,320 (15)	927 (6)	2,284 (23)
By no. of editorial employees supervised:					
None	$10,000 (1)	$2,000 (4)	$813 (4)	960 (18)	NA
One	26,917 (6)	1,794 (8)	1,750 (6)	1,850 (6)	NA
2-5	4,760 (24)	2,423 (16)	3,508 (28)	2,872 (9)	NA
6-10	10,646 (12)	4,182 (11)	2,546 (12)	4,153 (3)	NA
More than 10	12,946 (14)	21,644 (9)	9,833 (6)	6,000 (1)	NA
By circulation:†					
Up to 19,999	$16,855 (11)	$1,521 (7)	$1,190 (5)	$4,240 (4)	$1,938 (4)
20,000-49,999	7,598 (13)	2,638 (16)	1,843 (12)	820 (5)	1,957 (7)
50,000-99,999	9,292 (12)	12,060 (5)	2,400 (8)	1,800 (6)	2,486 (8)
100,000-499,999	10,393 (18)	6,966 (16)	5,864 (21)	1,659 (16)	2,385 (16)
500,000 and more	4,000 (3)	19,325 (4)	2,567 (9)	2,381 (6)	7,550 (2)
By frequency:†					
Weekly/biweekly	$13,375 (8)	$16,230 (10)	$2,386 (7)	$2,986 (7)	$2,533 (7)
Monthly	10,845 (38)	3,783 (34)	2,973 (33)	1,714 (25)	2,480 (27)
Other	6,877 (11)	2,750 (4)	5,419 (16)	1,790 (5)	3,300 (3)
By average editorial pages produced annually:†					
Up to 499	$16,230 (14)	$2,387 (15)	$1,679 (14)	$1,323 (8)	$2,500 (3)
500-999	9,470 (24)	3,504 (13)	4,385 (23)	2,220 (13)	2,784 (18)
1,000 and more	7,897 (17)	12,031 (18)	4,292 (17)	2,189 (14)	2,085 (14)

*The number of respondents is in parentheses
†Refers to the largest circulation magazine on which respondent works

> "I create a living organism, which is an extension of my personality, each month, and in doing so, influence the thoughts and decisions of a small universe of business people desperately grasping for useful ideas."
>
> —Editor in the Northeast with two years' experience, earning almost $25,000 in salary and bonus.

Triangle's $3 billion sale . . page 23

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Folio:

SEPTEMBER 1988 THE MAGAZINE FOR MAGAZINE MANAGEMENT $6.00

ROBERT ZIMMERMAN
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Fulfillment in transition

Publishers are asking: Is there an emerging trend toward consolidation of fulfillment companies, and if so, is it necessarily bad news? Will bigger companies offer more diversified services? Faster and more efficient data transmission? And what will happen to costs? FOLIO: offers a look at this vital aspect of the publishing industry. **116**

Premiere: Successful import

Premiere, a French movie magazine, provides a good example of how European magazines can succeed in America if they make adjustments. **157**

PREMIERE
MOVIE
PLAY BALL!
KEVIN COSTNER AND SUSAN SARANDON LEAD OFF A SEASON OF BASEBALL MOVIES WITH 'BULL DURHAM'

Business magazines eye big rate hikes

Hemmed in by rising postage, paper and production costs, many business publishers say they won't be shy in pressing for major advertising rate hikes next year. **23**

Can alternate delivery become reality?

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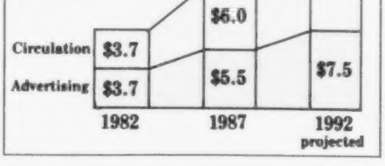
Circulation dollars continue climb

Sluggish ad revenues for consumer magazines will be outpaced by circulation dollars through 1992, says a Veronis, Suhler forecast of consumer publishing. **24**



September 1988

'Think desktop,' says designer Roger Black 69

ROBERT A. CARDIN

While "smock and beret" types may scorn the rise of computer-aided design, Roger Black, designer of *Newsweek* and *Smart*, embraces desktop publishing technology for blurring the line between graphics and editorial.

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The 15 critical negotiating points that publishers large and small should consider before going into printing contract talks are explained.

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The magazine publishing plan 153

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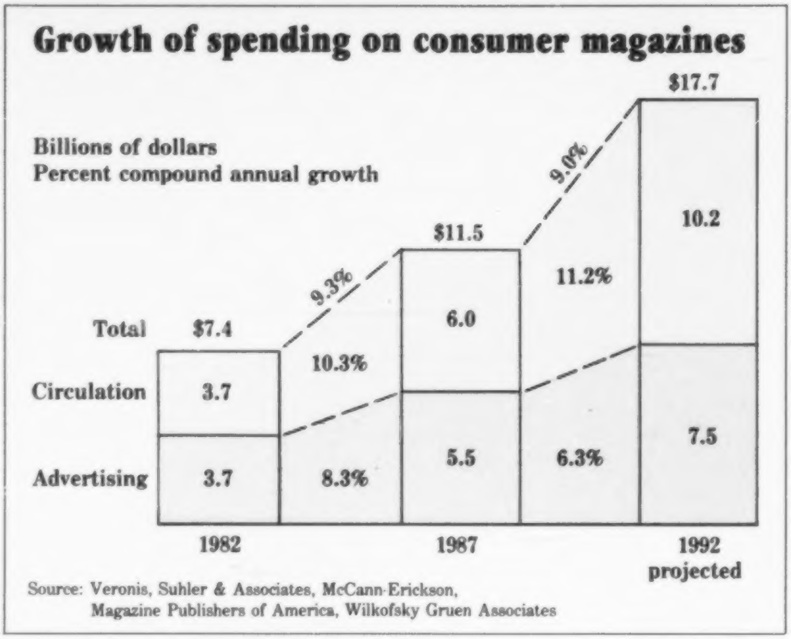
Forecast: Circulation dollars continue climb

On the business side, older, larger titles will lose ground to upstart categories



Source: Veronis, Suhler & Associates, McCann-Erickson, Magazine Publishers of America, Wilkofsky Gruen Associates

***Growth of circulation revenues** will be nearly double that of ad dollars by 1992, say Veronis, Suhler & Associates.*

■ *New York City*—Overall growth and profitability in the business press may not look like a "rip snorter" during the next five years, but some categories are going to be hot, observes John Suhler, president of Veronis, Suhler & Associates, an investment banking and media brokerage firm.

The company's annual five-year forecast notes that advertising and circulation spending in the business press will grow 5.9 percent anually during the next five years—but this figure mainly reflects performance of larger, older titles that cover declining industrial businesses. Upstart fields—media, electronics, computers and health care—are enjoying double-digit growth.

On the consumer side, the outlook for advertising spending is not as promising as circulation spending. Annual advertising growth will be 6.3 percent, down from 8.3 percent between 1982 and 1987. Circulation dollars, meanwhile, will grow 11.2 percent annually. Total advertising expenditures will add up to $7.5 billion in 1992; circulation spending will be $10.2 billion.

Spending up; number of titles down

In total, business press spending will reach $3.7 billion in 1992, with advertising accounting for $3.3 billion. Last year, spending was $2.8 billion, up from $2.1 billion in 1982. Growth in hot business categories has kept overall dollar growth climbing, even as the number of business titles has declined: down to 2,650 in 1987 after peaking at 2,775 in 1984.

Business information services will be the hottest segment in the media industry, growing 12 percent annually and reaching $11.6 billion in spending by 1992. The business press, however, won't suffer, according to the report: "Future need for information should translate into increased demand for periodicals that digest and analyze developments in a given industry."

The ad dollar slowdown in consumer magazines results from losses in top spending categories: liquor, cigarettes and computers. In 1984 these three categories accounted for 20 percent of total consumer advertising.

Other categories—soap, pet food, entertainment and real estate—were up nearly 28 percent between 1984 and 1986, according to the report.

The changing ad scenario gives circulation dollars a more important role. Last year, circulation accounted for 52 percent of all magazine spending, up from 44.5 percent in 1977, and that percentage will grow even higher. Meanwhile, total ad expenditure was down to 48 percent last year, from 55.5 percent 10 years ago.

"The circulation revenue stream will remain strong," says Suhler, "not just because of demand, but because publishers will be pushing price increases in the next five years to cover postal rate hikes, inflation and paper price increases."

Meanwhile, the number of consumer magazines grew to 1,707 in 1987, up from 1,018 a decade earlier. The fastest growing categories include automotive; computers; crafts, games and hobbies; city and regional; travel; and women's.

In merger activity, Veronis and Suhler believe that some large U.S. consumer magazine publishers will begin concentrating on start-ups during the next five years. The high prices of properties are renewing interest in launches, says Veronis.

Growth in special interest titles, he adds, is expected to continue, and publishers will still be willing to pay top dollar for magazines that are good "synergistic fits" with their own titles.

No slowdown in European interest

European companies will continue to shop for U.S. business magazines for two reasons: the weak dollar and reduced cultural barriers in the business field. A foreign business publisher, Suhler notes, can more easily translate its expertise in an industry, without worrying about cultural nuances.

European merger and acquisition activity will also heat up in coming years. Current regulations make it cumbersome for European companies to buy neighboring properties. These restrictions will be lifted in 1992. Already, European publishing companies are buying print and broadcasting operations in other countries, Veronis and Suhler note.—*J.M.A.*

New DPP target: Department stores

Do magazines help Kmart's bottom line?

New York City—Department stores may not be big carriers of magazines these days, but Magazine Publishers of America (MPA) is out to change that.

With the third phase of the Direct Product Profitability (DPP) study, the MPA and the Council of Periodical Distributors Association (CPDA) will study magazine profitability in Kmart, Wal-Mart and other department stores. Although not a common outlet for magazines, the stores have potential to expand magazine presence, says David Lee, senior vice president, MPA.

The average department store has 100,000 square feet of space, while the average supermarket has less than half that space, he notes. If the study shows magazines are profitable, the department stores may significantly increase magazine displays. Many of the stores already sell books, a related item.

The third phase of the DPP project will cost $285,000, with MPA and CPDA splitting that cost. The two associations will once again retain accounting firm Touche Ross & Co. to conduct the research.

The two prior DPP studies showed that magazines were the fourth most profitable item in convenience stores and third most profitable in supermarkets.

The low cost of handling by store personnel is the major reason. Magazines, unlike other merchandise, are handled by their own system of wholesalers.

Whether these stores have increased magazine displays, however, is still unknown. By mid summer, teams of publishers, wholesalers, distributors and Touche Ross representatives had made 25 presentations on the study to retailers and were planning 15 more, says Lee. In addition, other wholesaler and magazine-related associations, such as the Magazine and Paperback Marketing Institute, have been publicizing the findings.

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JEAN MARIE ANGELO

***MPA hopes department stores** will beef up magazine displays—but it's still unknown whether other stores have acted on past DPP studies.*

A follow-up research study, slated for this fall, will show if the teams have been effective in gaining more space for magazine displays in convenience stores and supermarkets.

The MPA-CPDA presentations have been expensive to conduct, adds Lee, because of the Touche Ross participation. On the other hand, the accounting firm's presence gives the study more clout, he explains.—*J.M.A.*

Paper use to rise 4.6% for 1988

Publishers looking to lighter weight paper, high reliance on imports, MPA survey says

New York City—In a year of rising paper prices, higher postage costs and tight paper supply, publishers' paper usage habits are beginning to change. A recent survey shows that some publishers are using lighter weight paper and narrower paper rolls, and are continuing to keep large inventories on hand.

At the same time, publishers aren't planning a big paper demand next year, given dim prospects for significantly more ad pages and higher circulation.

This year's paper use will rise 4.6 percent over 1987's, according to 60

Publishers shift to lower basis weights
(% of total tonnage usage)

Basis weight	1987 actual	1988 projected	1989 projected
32 lbs. and below	3.1%	3.3%	3.4%
34	29.8	31.6	33.3
36	14.5	13.3	13.3
38	5.1	5.1	5.1
40	22.3	22.4	20.6
45	4.3	3.4	3.8
50	8.9	8.9	8.9
60 lbs. and above	12.1	11.9	11.6

Source: Magazine Publishers of America

***Use of 34-lb. paper** will continue to grow at the expense of heavier weights. One-third of the publishers surveyed will use the lighter paper in 1989.*

publishing companies responding to the Magazine Publishers of America's (MPA) annual paper survey. That's an optimistic revision of the 3.5 percent expansion anticipated by 84 respondents to the 1987 MPA survey. But publishers now anticipate paper usage rising only 3.5 percent in 1989.

The study also indicates a trend to lower basis-weight paper, with 34-lb. stock making the largest gains. Use of that paper is expected to rise to 31.6 percent of total tonnage this year, and to 33.3 percent in 1989; it accounted for 29.8 percent of tonnage last year. The percentage of publishers using 34-lb. stock is not expected to change; instead, publishers appear to be consolidating the number of different basis weights they use.

Fewer publishers, however, will be using heavier stock. Each of the higher basis-weight categories, including 40-lb. paper—used by 60 percent of publishers—is expected to drop slightly or hold its share through 1989.

Surge in uncoated stock

Coated groundwood continues to be the paper stock of choice, and will account for about 68 percent of the total tonnage used by the publishers this year. Coated groundwood tonnage is expected to grow 4.3 percent in 1989.

Uncoated groundwood—including supercalendered and newsprint—is the fastest growing paper grade this year, with tonnage expected to increase by 9.2 percent. That growth rate, however, is expected to drop off considerably, to about 2.5 percent, for 1989. Coated free sheet, the big growth grade of the last annual survey, is expected to increase only 3.2 percent this year and drop to 1.2 percent growth next year. Each type of paper accounts for about 14 percent of total tonnage.

Publishers expect to finish the year with a heavier reliance on imported papers. However, while imported tonnage will be up 14.1 percent this year, use of imports will hold steady in 1989. Imported paper will account for 3.5 percent of total tonnage in 1988.

Publishers' paper inventories are also responding to rising prices and stricter allocations from mills. One-third of publishers reported inventory levels of one to 30 days as of March 31, 1988; nearly 42 percent reported 31 to 60 days of supply on hand. Last year, 19 percent had one to 30 day inventory levels and 47 percent had 31 to 60 days of supply on hand.

A trend to smaller trim sizes led 13.3 percent of publishers to switch to narrower roll widths last year. Another 15 percent plan to switch this year; 1.7 percent will change to a wider roll.

In addition, publishers are moving away from gravure printing and increasing their reliance on offset. Last year, 73.7 percent of magazine paper tonnage was printed on offset presses; that figure is expected to rise to 75.9 percent for 1989. The percentage of gravure-printed paper is expected to drop to 24.1 percent.—*P.F.*

Coated groundwood dominates

Paper	1987 actual	1988 projected	% change	1989 projected	% change
Coated groundwood	916,509	949,455	+3.6%	990,270	+4.3%
Coated free sheet	184,744	190,744	+3.2	192,985	+1.2
Uncoated groundwood	180,205	196,768	+9.2	201,712	+2.5
Uncoated free sheet	15,405	15,955	+3.6	16,948	+6.2
Imports	43,532	49,655	+14.1	49,996	+0.7
Total tonnage	1,340,395	1,402,577	+4.6	1,451,911	+3.5

Source: Magazine Publishers of America

***While coated groundwood** continues to be the most popular paper among consumer magazines, uncoated groundwood and imported papers are expected to make significant gains.*

Will new ARF-ABP study quiet the skeptics?

Expanded study on ad effectiveness will be more relevant to advertisers, proponents say

■ *New York City*—A new study of the effectiveness of business advertising, to be launched in January by the Association of Business Publishers (ABP) and the Advertising Research Council (ARF), intends to quiet skeptics who complained that the first ARF-ABP study was irrelevant to many advertisers.

The new study also marks the start of an ongoing effort by the two groups to measure advertising effectiveness.

The first study, presented in spring 1987, concluded that an increase in business-to-business advertising leads directly to more product sales and higher profits. But the study focused on only four newly introduced products, ranging in price from $10 to $10,000.

The new study will employ the same research model, but will include established products, products in competitive markets, and service products. Six sub-studies will be conducted during a one-year period.

Some advertisers contended that the advertised products in the initial study, including a portable safety product, lab equipment and a trucking package, had nothing to do with their industries.

"Many people were not willing to take the leap that if [advertising] works for these products, it will also work for them," says Terilyn McGovern, vice president, ABP. "Now, if media buyers say, 'But we have this type of client,'

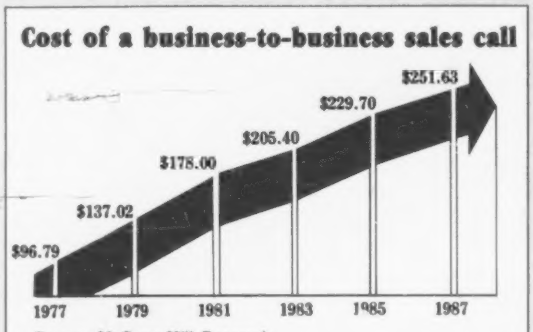
Cost of sales call surpasses $250

The average cost of a sales call now tops $250, according to McGraw-Hill Research. This figure is frequently used by sales representatives to promote the cost efficiency of magazine advertising.

The cost of a sales call rose 160 percent during the past 10 years, from $96.79 in 1977 to $251.63 in 1987. Advertising costs, by contrast, grew 88 percent, and the consumer price index rose 87 percent during the decade.

Moreover, while inflation averaged 2.8 percent in yearly growth during the 10-year period, the cost of sales calls increased at a 4.8 percent annual rate.

Face-to-face sales costs will also escalate this year, according to a majority of 797 sales managers surveyed for the study. Eleven percent anticipate a decline, and 27 percent expect costs to remain the same.


Cost of a business-to-business sales call

Source: McGraw-Hill Research

Most buyers follow up on business ads

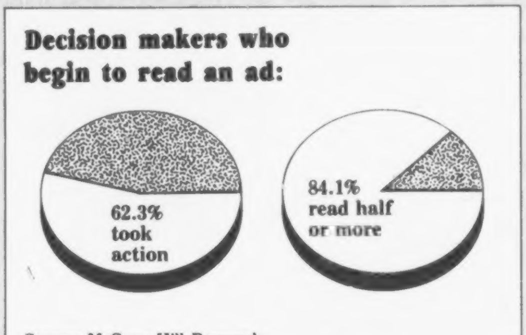
Most purchase decision makers who read an ad follow up on that ad, according to a recent report from McGraw-Hill Research.

More than 62 percent of buyers who read an ad in a business publication either bought the product or service, asked for more information, recommended use of the product or filed the ad for future reference, the study states.

Moreover, the study found that 84 percent of decision makers who begin to read an ad, read half the ad or more.

"The report points up that advertising helps presell buyers," says David P. Forsyth, vice president and head of McGraw-Hill Research. "This is a major advantage, as sales call costs continue to rise."

The analysis was based on 94 studies involving 4,365 ads.


Decision makers who begin to read an ad:

Source: McGraw-Hill Research

Newspapers to lobby for area business magazines

NNA can marshal 5,000 news editors in legislative battles

Chicago—To battle common problems, the National Newspaper Association (NNA) has agreed to become the lobbying organization for the Association of Area Business Publications (AABP), says David Simonson, executive vice president of NNA.

NNA monitors "every bill and amendment offered by either house of Congress that could have a bottom-line or First Amendment impact on publications," says Simonson. The group, he adds, can marshal considerable grass-roots support from its 5,000 (mostly community) newspaper members around the country.

The new relationship should benefit both groups, says Lewis M. Conn, executive director of AABP. "We will convey NNA's information to our [92] members, who can add to NNA's clout by lobbying on the grass-roots level." AABP members can also call upon NNA's legal counsel for assistance on postal matters. The area business periodicals, however, will have no official status in NNA. AABP will pay an as yet undetermined amount to NNA.

AABP reserves the right to waive participation in issues that apply only to NNA, notes Conn. "Most issues apply to us, but we have to work out an agenda for our mutual goals." Conn says the relationship will be reevaluated after one year.

Some of NNA's recent positions on issues include the following:

- Favoring the maintenance of tax depreciation for subscription lists.
- Opposing the elimination of advertisers' tax deductions for ad expenses. NNA and others helped to defeat this proposal, says Simonson.
- Opposing state taxes on advertising. Both groups canceled conventions in Florida during that state's battle against a 5 percent advertising tax.
- Opposing a ban on tobacco advertising.
- Opposing postal increases. NNA, claims Simonson, helped limit the rate increase to 3.2 percent for presorted mail distributed within a county—far below increases for other types of mail.☐

from being employed at any level of government or by any stock exchange.

Under a new proposal, the application form for Congressional press credentials will give more space to the disclosure rule and include explanations of its importance. The proposed change applies only to magazines.☐

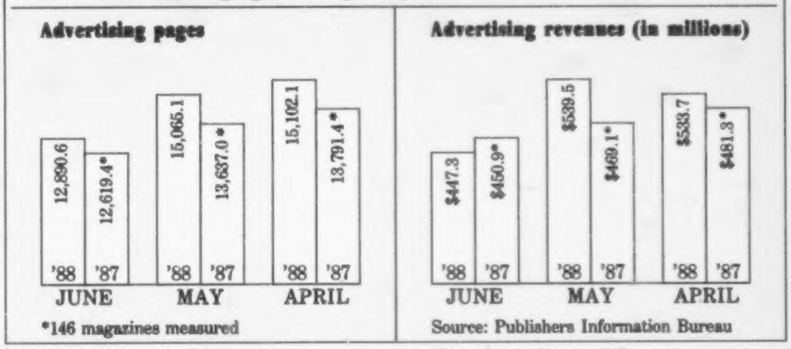
Donnelley joins forces with Kodak

Chicago—Printer R. R. Donnelley & Sons Co. has expanded its ability to customize magazines through a new agreement with Eastman Kodak.

The two companies have agreed to develop, manufacture and market computerized bindery line imaging and gathering systems. The systems are used to gather and bind selected pages within a publication, and to ink-jet personalized messages.

The agreement combines Donnelley's Selectronic bindery process with Kodak's Diconix Admark ink-jet printers. Donnelley provides the bindery controller technology for the [illegible] system, which Kodak will manufacture, market, install and service.☐

Revenues and pages drop in June



*146 magazines measured

Source: Publishers Information Bureau

***Although June ad page totals** appear greater than those of June 1987, pages were actually off 1.5 percent, given that PIB measured 10 fewer magazines last June. Revenues were down by 1.8 percent, according to Publishers Information Bureau, which tracks 156 magazines.*

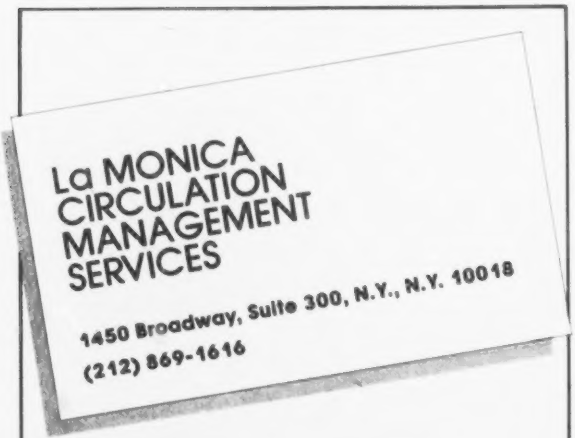
38% of consumers don't mind cold calls

Morganville, N.J.—Thirty-eight percent of consumers polled recently say they "don't really mind" receiving telemarketing calls, whereas 60 percent object to them, according to a survey conducted by Schlenker Research Services.

Younger consumers are found more tolerant of cold calls. About 47 percent of consumers under age 35 say they don't mind the calls; 50 percent object.

Moreover, 37 percent of those polled say laws or regulations on outbound telemarketing are not necessary. About 21 percent feel laws should be passed to monitor outbound telemarketing; 33 percent say the telemarketing industry should set its own regulations; 9 percent have no opinion.

About 600 consumers were interviewed for the survey.☐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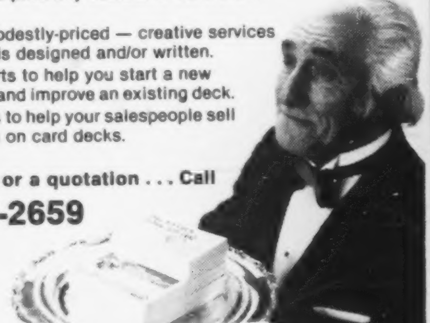

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Production salary survey ... page 157

Folio:

OCTOBER 1988 THE MAGAZINE FOR MAGAZINE MANAGEMENT $6.00

Foreign buyers: Can U.S. publishers compete?

Publishers from abroad are aggressively buying American magazines and publishing companies. Knowing the goals, strategies and buying power of foreign buyers will put you in a stronger competitive position. **138**

Direct mail packages: Design that sells

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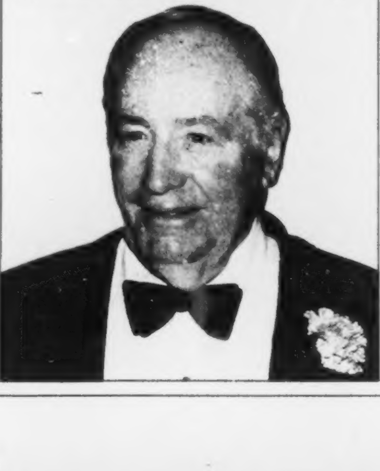
A new concept in the never-ending battle to reduce paper waste sounds simple—and it is. It just takes a little shift in viewpoint and a little subtle strategizing. **207**

Retailers demand better efficiency

Wholesalers are getting an earful about overcrowded racks and poor sell-through on the newsstand. And some retailers, they say, are taking matters into their own hands by refusing to carry titles with poor efficiency. How should publishers react? **37**

Walter Annenberg: Media Medici

His Triangle Publications sold, former owner Annenberg will answer another calling: philanthropy and education. **93**

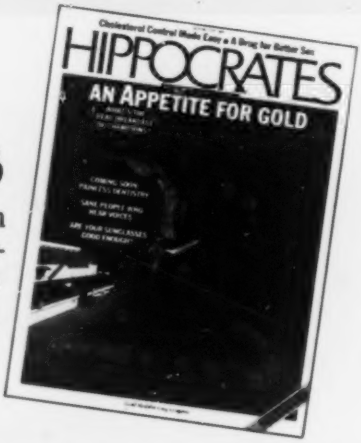


JOHN BARRETT/GLOBE PHOTOS, INC

October 1988

Hippocrates fills its prescription for growth 103

With a $9 million infusion from none other than Time Inc., fledgling *Hippocrates* aims to give venerable *American Health, Health* and *Prevention* a run for readers and ad pages.



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Although catalogs have nearly given up competing with magazines on the newsstand, many are still challenging publishers on another front: ad pages.

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ABP MPA

Ad growth continues for consumer titles

But fortunes reversed for many fashion, finance and general interest titles

New York City—The tally is in for the first half of 1988, and travel and shelter titles are ad page winners. On average, though, fashion titles and business and personal finance titles, which posted gains in 1987, were down, while the "seven sisters" were flat.

Overall, the 156 magazines measured by Publishers Information Bureau (PIB) held on to the strong ad growth momentum of the second half of 1987. The page total of 81,186.98 was up 4.4 percent, compared to a flat first half in 1987, when pages were up less than 1 percent over the previous first half.

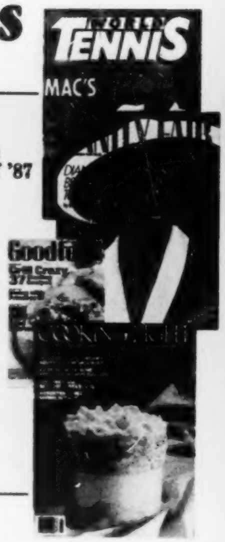
Revenue was also up 9.4 percent to $2.83 billion for the first six months of 1988.

Strong growth emerged, in part, from healthy spending in automotive (+19.3 percent); toiletries and cosmetics (+18.2 percent); mail order (+8.5 percent); travel (+14.4 percent); apparel (+14.1 percent); and computers and office equipment (+5.4 percent). Four of the top 10 categories were down: business/consumer services (−10.4 percent); food (−2.5 percent); cigarettes/tobacco (−3.2 percent); and publishing/media (−1.7 percent). In total, spending in the 10 categories—which represents more than two-thirds of total ad spending—was up 7.5 percent to $1.99 billion.

Top 10 magazines by ad page growth

Publication	Pages	% change from 1st half '87
Cooking Light	107.94	98.8%
World Tennis	335.95	89.6
Vanity Fair	493.04	56.4
Good Food	125.33	53.8
Cable Guide	187.92	41.5
Mother Earth News	225.78	38.1
The Atlantic	281.55	36.4
American Way	838.50	33.0
Metropolitan Home	526.34	31.7
Golf Illustrated	178.12	26.7

Source for all charts: Publishers Information Bureau



***Four of the fastest growing magazines** in advertising pages this year are food and shelter titles.*

Strong showing in travel, home

The 14 home and shelter titles continue to be hot, with an average page gain of 7.5 percent. Revenue was up an average 16 percent. *Metropolitan Home* continued its upward climb with a 31.7 percent gain in pages and a 32.1 percent increase in revenue to $13.8 million. *Mother Earth News* also made a strong showing with a 38.1 percent page gain to 225.78 pages and a 51.5 percent climb in revenue to $2.6 million.

Travel titles also made notable inroads. *Travel & Leisure* was up 15.1 percent in pages for a total of 694.26; revenue was up to $22.2 million, an 8.1 percent increase. *Conde Nast Traveler*, previously unmeasured, registered 304.93 pages and $6.2 million in revenue. *European Travel & Life* was up 114.1 percent in revenue to $3.4 million, despite an 8.8 percent dip in pages.

Several of the general interest titles had an optimistic first half, having beaten recent ad doldrums. *Life* was up 13.5 percent in pages and 21.9 percent in revenue, following 25 percent losses for year-end 1987. *The Atlantic*

(CONTINUED ON PAGE 60)

Retailers demand better sell-through

"If wholesalers won't cut newsstand overcrowding, we will" say retailers

New York City—Faced with more than 3,000 titles available on retail racks, and sell-through rates dipping below 50 percent, some retailers are demanding that wholesalers make rack space more profitable, or they will use that space for something else.

Despite the industry's hawking of a Direct Product Profitability (DPP) study, which demonstrates the high level of profitability magazines bring to supermarkets and convenience stores, "there is an urgency among retailers" to improve efficiency, says John Harrington, president of the Council for Periodical Distributors Associations.

Lucky Supermarkets, for example, a major western supermarket chain, notified wholesalers early this year that it would not take magazines with less than 65 percent sell-through. (Only about 20 titles are that efficient, says Harrington.) Lucky apparently got little response and jolted wholesalers with a second demand of 80 percent efficiency. After meeting with wholesalers,

Strong ad growth

(CONTINUED FROM PAGE 37)

registered a 36.4 percent page increase, and revenue jumped 54.5 percent to $3.9 million. *Vanity Fair* continued its strong gains with a 56.4 percent page hike; revenue surged 85.8 percent to $11.4 million.

Business and finance falter

After gaining 6.5 percent in 1987, the 17 business and personal finance magazines registered an average 2.3 percent page loss for the first half of this year. Revenue, however, was up 6.2 percent. Interestingly, *Changing Times* was down 5.4 percent in pages but fell 11.6 percent in revenue. *Sylvia Porter's Personal Finance* dove 26.7 percent in pages and 7.4 percent in revenue. *Manhattan,inc.* was also noticeably down, 19.6 percent in pages and 8.4 percent in revenue.

The standout was *Business Month*, which leaped 65.8 percent to $4.5 million in revenue, while racking up a 17.6 percent increase in pages.

Top 10 magazines by advertising pages

Publication	Pages	% change from 1st half '87
Business Week	2,071.25	−2.6%
TV Guide	1,738.35	−2.6
People	1,718.75	3.6
Forbes	1,563.26	0.7
New York	1,511.59	0.8
Bride's	1,509.28	18.8
Sports Illustrated	1,475.15	14.3
Vogue	1,461.60	2.5
Fortune	1,434.27	5.0
Time	1,207.45	1.7

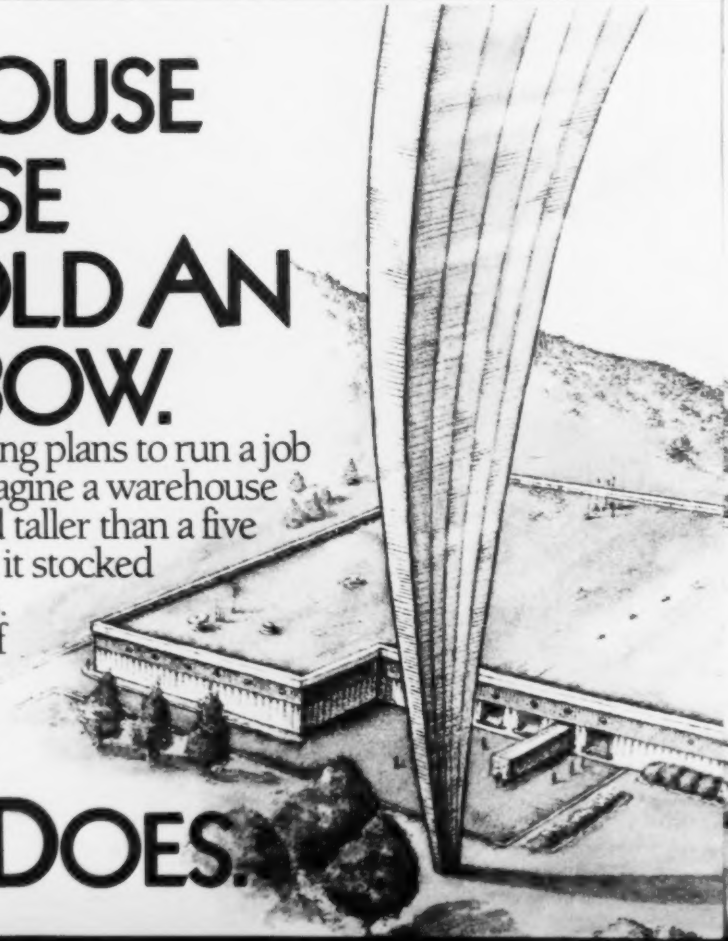
BusinessWeek
GEORGE BUSH
BEGGARS
Forbes
People
FERGIE'S LITTLE PRINCESS
TV

Despite page slides, Business Week *and* TV Guide *are one and two in ad pages. Only two double-digit gainers are among the top 10.*

The three leaders, *Forbes, Fortune* and *Business Week*, also reported revenue growth, though only *Fortune* made notable page gains. *Business Week*'s first-half dollars were up 4.8 percent to $102.2 million, while *Fortune*'s were up 11.9 percent to $62.5 million. *Forbes* was up 5.8 percent to $57.6 million.

Only *Elle* made a strong showing this year among women's fashion titles. Its tremendous growth (10.4 percent in pages and 58.8 percent in revenue) overshadowed page declines for *Glamour, Harper's Bazaar* and *Mademoiselle*. *Glamour* and *Harper's Bazaar* were down in revenue as well. *Vogue*, however, made modest gains in pages and revenues.

Two men's titles, *GQ* and *M*, had an average page gain of 12.2 percent and a revenue gain of 21.2 percent. *GQ* was up notably, 16.0 percent in pages and 23.3 percent in revenue, for an es-



OUR WAREHOUSE IS SO IMMENSE IT COULD HOLD AN ENTIRE RAINBOW.

The next time you're making plans to run a job on colored stock, think about this. Imagine a warehouse that's as large as five football fields and taller than a five story building. Got that? Now picture it stocked with over 300 different colored items.

With all those hundreds of colors, grades, weights, and sizes—all under one gigantic roof—can you imagine anyone who's more likely to have just what you're looking for than Scott?

AND IT DOES.

timated total of $18.5 million.

Another major men's title, *Esquire*, was up 3.2 percent in ad pages, but slightly off in revenue.

'Seven sisters' flatten out

While four of the "seven sisters" registered page gains, *McCall's* continued its slide downward, off 16.9 percent. The magazine's revenue was off 12.1 percent to an estimated $28.7 million. The page leader, *Family Circle*, was up 18.6 percent to 872.34 pages, while *Better Homes and Gardens* led in revenue, with a total of $73.1 million. The average page gain for the seven titles was nearly flat at .8 percent. But the estimated average revenue increase was 21.7 percent.

Among other women's titles, *Savvy* was up 19.7 percent in pages and 44.6 percent in revenue. *Working Mother*'s pages were off 10.6 percent, while *Working Woman*'s dipped 1.6 percent. The latter two are sold in a package that includes *McCall's*.

A new design and editorial revamp of *Ms.* has yet to reverse the magazine's ad woes. Pages were down 12.1 percent to 186.79, and revenue sagged 4.2 percent to $2.3 million.

Top 10 magazines by revenue growth

Publication	Revenues	% change from 1st half '87
World Tennis	$4.9 million	132.3%
European Travel & Life	3.4	114.1
Cooking Light	1.2	113.5
Golf Illustrated	1.3	89.2
Vanity Fair	11.4	85.8
Business Month	4.5	65.8
Good Food	1.5	63.5
Elle	23.8	58.8
The Atlantic	3.9	54.5
Endless Vacation	1.3	52.9

WORLD TENNIS
MAC'S
VANITY FAIR
Golf Illustrated
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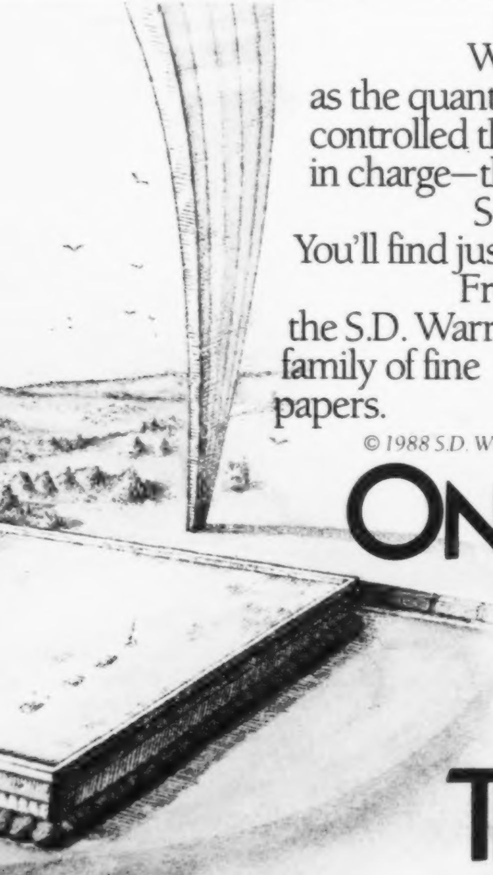
***Special interest titles** show the strongest growth. Leading the pack is* World Tennis, *up 132.3 percent in revenues.*

Of the three newsweeklies measured, only *U.S. News & World Report* made substantial page and revenue gains. The magazine ran 892.04 ad pages during the first six months, an increase of 17.2 percent over the same period last year. Revenue was up 25.1 percent to $59.8 million. In contrast, *Time* had a 1.7 percent increase in pages and a 3 percent increase in revenue. *Newsweek* dropped 5.9 percent in pages and 4.2 percent in revenue.

Rolling Stone, with a 20.5 percent page gain to 884.7, stood out among remaining weeklies and biweeklies measured. Revenue was up 28.2 percent to $28.2 million. *Us*, a sister publication of *Rolling Stone*, was up 11.2 percent in pages for a total of 312.22. Estimated revenue leaped 24 percent.

Circulation giant *TV Guide* dipped 2.6 percent in pages; revenue was flat.—*J.M.A.*



What's more, the quality is every bit as impressive as the quantity. In fact, every production run is so carefully controlled the finished product is actually signed by the person in charge—then guaranteed, in writing, by the company.*

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Late delivery of monthlies at 64%

Slight improvement was noted for delivery of second class monthly publications during the second quarter of 1988.

Whereas 72 percent of monthlies hit mailboxes late during the first quarter, 64 percent did so in the second.

Nearly all cities listed had improved scores for beating the Postal Service's own delivery standard. Seattle registered the greatest advance: Its score for delivering monthlies better than service standard leaped 53 points, to 83 percent. (Interestingly, the remaining monthlies in Seattle were delivered more than six days beyond service standard.)

Seattle's winning score is nearly 50 points ahead of second-place Phoenix, which delivered 37 percent of its magazines better than service standard. At the other end of the scale were Washington, D.C., and New Orleans, which had 87 percent and 90 percent of monthlies delivered late, respectively.☐

Delivery box score: Monthly publications, April 1-June 30, 1988

City/(Zip Code)	Better than USPS standard	Service standard	1-6 days late	Later
Composite average*	**14%**	**22%**	**60%**	**4%**
Boston (021)	14	17	66	3
New York (100)	5	22	71	2
Buffalo (142)	0	22	78	0
Pittsburgh (152)	7	27	66	0
Philadelphia (191)	13	23	48	16
Washington, D.C. (200)	2	11	76	11
Atlanta (303)	4	19	74	3
Miami (331)	26	37	37	0
Memphis (381)	16	26	58	0
Cincinnati (452)	15	30	55	0
Detroit (482)	0	22	78	0
Milwaukee (532)	15	25	55	5
Minneapolis (554)	18	35	47	0
Chicago (606)	14	8	78	0
New Orleans (701)	0	10	87	3
Dallas (752)	3	35	62	0
Houston (770)	14	29	57	0
Denver (802)	20	32	48	0
Phoenix (850)	37	38	25	0
Los Angeles (900)	12	15	65	8
San Francisco (941)	19	52	25	4
Seattle (981)	83	0	0	17

*Includes other U.S. cities and SCFs not listed

Source: Red Tag News Publications Association, Inc.

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Sew Business

Delivery of weeklies improves slightly

Late delivery of weeklies improved slightly in the second quarter of 1988, but more than half of all weeklies still failed to reach readers' mailboxes on time.

Fifty-five percent of weeklies were delivered late in the second quarter, compared to 59 percent in the first.

All cities showed improved on-time delivery, with the exceptions of Memphis, Milwaukee and Chicago. New Orleans had the greatest upgrade: Its on-time delivery score advanced 19 points, to 34 percent. The city, however, still holds claim to one of the worst late delivery scores: 48 percent of weeklies mailed there arrive more than one day late.

Pittsburgh, at the bottom, delivers 68 percent of its magazines one day late or later. The top score is held by San Francisco, which delivers 71 percent of its weeklies on time.

The scores reflect delivery from all parts of the nation to the cities listed.☐

Delivery box score: Weekly publications, April 1-June 30, 1988

City/(Zip Code)	On time	1 day late	Later
Composite average*	**45%**	**28%**	**27%**
Boston (021)	44	31	25
New York (100)	60	25	15
Buffalo (142)	44	32	24
Pittsburgh (152)	32	31	37
Washington, D.C. (200)	51	25	24
Atlanta (303)	48	29	23
Miami (331)	43	27	30
Memphis (381)	34	33	33
Cincinnati (452)	37	39	24
Detroit (482)	63	21	16
Milwaukee (532)	50	30	20
Minneapolis (554)	69	22	9
Chicago (606)	44	33	23
New Orleans (701)	34	18	48
Dallas (752)	42	30	28
Houston (770)	38	33	29
Denver (802)	42	31	27
Phoenix (850)	38	29	32
Los Angeles (900)	56	24	20
San Francisco (941)	71	18	11
Seattle (981)	65	14	21

***Includes other U.S. cities and SCFs not listed**
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Special report

Foreign buyers: Can U.S. publishers compete?

The favorable currency exchange rate isn't the only factor that makes foreign publishers aggressive competitors

BY JENNIFER HOWLAND

It's 200 some odd years later, but the cry is still ringing among publishing patriots—"The Redcoats are coming!"

Today, the Redcoats, in the eyes of publishing nationalists, are any foreign buyer of a domestic publishing operation. And with an admitted surge of buying interest on the part of foreign companies—dramatically demonstrated in August by Murdoch's purchase of Triangle Publications Inc.—questions are being raised by industry professionals.

- Can domestic companies compete in the acquisition arena with cash-rich, currency favored, aggressive foreign media conglomerates?
- Does increasing foreign ownership of media interests in this country pose a threat to the national interest in a free press?
- Are foreigners, specifically Europeans, actually dominating the bidding for publishers, or is that more perception than reality?

The answers to these questions depend, in part, on who you ask. David Orlow, a publishing consultant, says "factually, much more foreign ownership has occurred than people realize—they own billions of dollars worth of U.S. publishing." Yet others speak of the growing internationalization of publishing, and indeed business in general. "Publishing is worldwide now, especially in the business press," says Paul Beatty, vice president, marketing, International Thomson Retail Press. "It's rare to find a publishing company without an international operation." Still other analysts, like Tom Kenney of Thomas Kenney & Co., special media advisers with First Boston, question the premise that Americans aren't competing. Kenney notes that while European companies have been active in the United States, they have not been dominant, and that, in fact, American companies are actively buying other American companies. And there is the reverse example of U.K.-owned Argus, which put its American publishing properties on the auction block last spring.

What really is going on? On one point there is no disagreement: There are many more foreign companies with holdings in the United States publishing industry today than 10 years ago. By various estimates, the number is between 15 and 25, compared with one or two. And a host of factors—not the least of them the currency advantage enjoyed by foreign buyers in this country—make foreign publishers eager and aggressive investors in America. In

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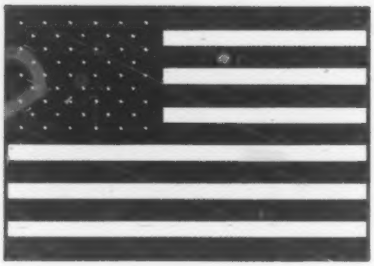
Jennifer Howland is a freelance writer specializing in media topics. She was formerly managing editor of FOLIO:.



fact, once you begin lining up the reasons foreigners want to buy into America, it's no wonder questions arise as to the willingness of domestic buyers to compete against them.

That's what Dave Charleson thinks. Having sold Charleson Publishing in 1983 to an investment group composed of Keeley Management Company and Dillon Read, he watched it sold, in turn, as U.S. Business Press (USBP), in part to Elsevier, a Dutch company active in acquisitions in the United States today. Then, in 1986, USBP sold all its assets to International Thomson, another aggressive acquirer of U.S. publishing properties, and CBS, after which USBP went out of business. Charleson has just bought back *Food & Beverage Marketing*, a magazine he started in 1981, from Thomson, and is hot on the acquisition trail.

"I've been approached by banks that want to finance me," he says, but he's having difficulty finding a property to buy. "There are a great many European companies that are very cash rich. With the exchange rate so good they can afford to pay higher multiples, and they can also borrow locally more easily and for less interest than a U.S. company can. As a U.S. purchaser, I've found buying a profitable company almost impossible. The Europeans will grab it up and pay a higher price," Charleson states.

Financial considerations, such as the currency advantage and the access to cheaper capital, are just the beginning of the list of reasons foreigners buy in the United States. The currency issue is often cited as a reason foreigners can pay more for U.S. properties than domestic buyers.

"They may be bidding the same amount as an American company in dollars, but from their own currency standpoint it's less," explains Derek Goodman, vice president at Henry Ansbacher Inc. "Therefore, they can offer more than American companies can in dollars," he states.

Of course, any profits earned from a U.S. acquisition come in the form of dollars, so the return is still related to the purchase price in dollars.

To think the currency advantage is behind a buying surge in this country is inaccurate, says John Suhler, president and co-owner of Veronis, Suhler & Associates, investment bankers. "The truth is that every single company that has made an acquisition here in the last two years began that process in the last five years, before the currency advantage started," he claims. "To think currency is all the reason is a misimpression."

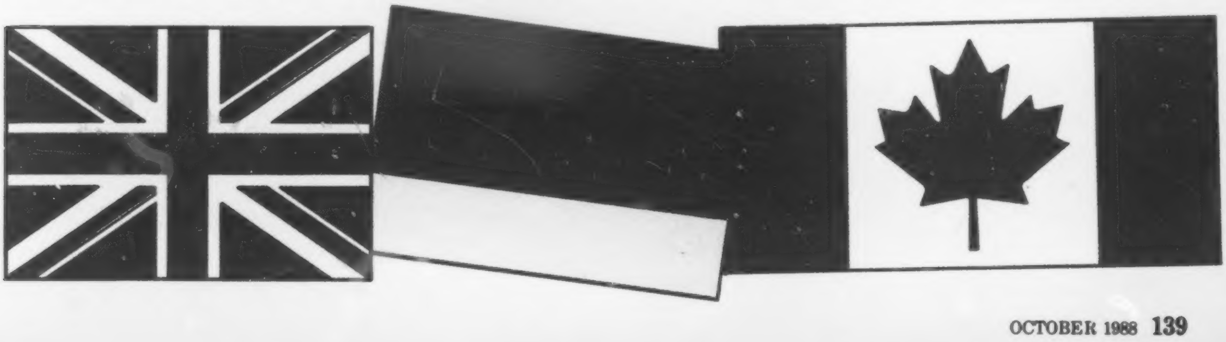
Indeed, there can be a down side to the currency issue because of the possibility of downward fluctuations, Suhler notes. In a negative currency environment, the advantage felt today quickly shifts the numbers on a foreigner's balance sheet and can result in a serious drag on profits in the home country. "Currency can cut both ways," he cautions.

Other factors weigh more heavily, Suhler suggests. For instance, abroad and especially in Europe, access to capital is made easier through such vehicles as a rights offering, a public offering of equity in companies. According to Suhler, this practice takes less time and is more acceptable as a way to raise capital abroad than in this country.

Furthermore, interest rates are cheaper there. "Where we pay 9 percent, they pay 6 percent," says Charleson.

Many of these offshore companies are also "enormously well off," says Suhler, "with terrific balance sheets. They're not as heavily leveraged as many American companies."

There are also sometimes tax advantages to buying in the United States, adds Matti Prima, Ansbacher's managing director. "A Dutch company has the right to write off good will as a tax expense, and therefore improve cashflow. That way they get back their investment faster. You can't do that in



Selected foreign mergers and acquisitions, 1983-1988

Year	Bought	Sold	Title	Publisher	Price (millions)
Elsevier (Gordon Publications)				**Holland**	
1988	x		*Nursing '88, Learning '88, Office Systems '88*	Springhouse	$100.0 (E)
1987	x		*Laser and Optronics* and *Fiberoptic News*	High Tech Communications	N/D
1987	x		*Powder/Bulk Solids, Pharmaceutical and Cosmetic Equipment*	Machalek Publishing	$3.5 (E)
1987	x		*Orthopedic Review* and *Anesthesiology Review*	Macor	N/D
1987	x		*HVAC, Domestic Engineering, Plumbing Engineer* and *The Wholesaler*	Scott Periodicals	N/D
1985	x		14 product news and business titles	Gordon Publications	$38.0
1985	x		*Packaging Digest*	Delta Communications, Inc.	N/D
Fairfax				**Australia**	
1987	x		*Ms.*	Ms. Foundation for Education	$10.0 (E)
Hachette Group				**France**	
1988	x		13 consumer titles, including *Woman's Day*	Diamandis Communications	$712.0
International Thomson Retail Press				**Canada**	
1988		x	*Food & Beverage Marketing*	Charleson Publishing Co.	N/D
1988		x	*Wire Technology International* *Fastener Technology International*	Initial Publications Inc.	N/D
1987	x		*Convenience Store Merchandizer*	Associated Business Publications	N/D
1986	x		6 business titles	U.S. Business Press	$15.0
1986		x	*List, MacMarketer, Compac*	Ted Leonis, et al.	N/D
1983	x		*Purchasing World*	Technical Publishing	N/D
Maclean Hunter Media Inc.				**Canada**	
1987	x		*Frozen Food Age*	Frozen Food Age, Inc.	N/D
1987		x	*Remodeling Contractor*	Hanley-Wood Ltd.	N/D
1986	x		6 business titles	Lakewood Publications	N/D
1985	x		*National Mall Monitor*	National Mall Monitor, Inc.	N/D
1985	x		*Guitar Player, Frets, Keyboard*	GPI Publications, Inc.	N/D
Maxwell Communication PLC				**England**	
1986	x		12 agricultural titles	Webb Agricultural Group	N/D
Murdoch Magazines				**Australia**	
1988	x		*TV Guide, Daily Racing Form, Seventeen* and *Good Food*	Triangle Publications Inc.	$3 billion
1986	x		*European Travel & Life*	Inabit Communications	N/D
1985	x		12 business titles	Ziff-Davis Publishing Co.	$350.0
Reed International (Cahners)				**England**	
1988	x		*Furniture/Today* and seven other titles	Communications/Today	N/D
1987	x		*Variety*	Variety, Inc.	$60.0 (E)
1987	x		*Modern Bride*	Diamandis Communications	$63.7
1987		x	4 business titles	PennWell Publishing	N/D
1986	x		*American Baby*	American Baby, Inc.	N/D
1986	x		22 business titles	Technical Publishing	$250.0
1986		x	*Appliance Manufacturer*	Corcoran Communications	N/D

(CONTINUED)

Reed International (Cahners) (CONTINUED)				**England**	
1986	x		*VA Practitioner*	Aster	N/D
1985	x		*Publishers Weekly* and three other titles	R. R. Bowker	N/D
1985	x		*Physicians Travel & Meeting Guide*	Media Networks, Inc.	N/D
1984	x		*Interior Design, Corporate Design*	Whitney Communications	N/D
1983	x		*Chemical Purchasing*	John Myers Publishing Company	N/D
1983	x		*Emergency Medicine, The Journal of Cardiovascular Medicine, Communications in Medicine* *Transition—Medicine and the Aging Process*	Fischer Medical Publications	N/D
1983		x	*Electro Optics*	PennWell Publishing	N/D
Southam Inc.				**Canada**	
1987	x		16 regional trucking titles	Allied Publications	$11.0 (E)
United Newspapers plc (PSN Publications, Miller Freeman, Gralla Publications)				**England**	
1988	x		*Television Broadcast*	Globecom Ltd.	N/D
1987	x		*Computer Language, AI Expert*	CL Publications	$5.0
1987	x		*Paper Trade Journal*	Vance Publishing	N/D
1987	x		*Medical World News*	HEI Publishing	N/D
1986		x	*Merchandising*	North American Publishing	N/D
1986	x		*Pro Sound News*	Testa Communications	N/D
1985	x		7 forest products and paper titles	Miller Freeman	$9.4
1985	x		4 optometry titles	Advisory Enterprises	$8.5
1984	x		*Sew Business*	Sylvan Publishing Inc.	N/D
1983	x		13 business titles	Gralla Publications	$44.0
VNU Business Publications Inc. (Hayden)				**Holland**	
1988	x		*Electronics*	McGraw-Hill, Inc.	N/D
1987	x		*Personal Computing, Computer Decisions, Electronic Design, Microwaves & RF*	Hayden Publishing	$44.0
1987		x	*Computer & Communications Decisions*	Baetech Publishing	$10.0 (E)

(E): estimated N/D: not disclosed

this country," he explains.

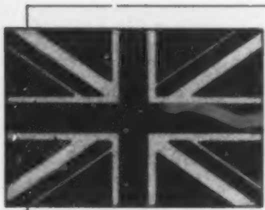
Aside from financial reasons, there are some compelling persuasions for foreigners interested in expansion to come here. "The U.S. media scene and the communications business in general is one of the fastest growing nonfinancial industry segments in this country," Suhler asserts. "It's grown at half again the rate of growth of the economy in the past five years, and we're forecasting that premium to continue. It's the most attractive growth scene in the U.S. economy according to Suhler."

Add to that the "comfort" factor that foreign publishers enjoy in the U.S. environment. For one thing, there is much less regulation here than in their home countries. Many European companies encounter such governmental control of television that they have been forced to concentrate on print media, he remarks. Each country has rules and regulations similar to our antitrust laws, but because of heightened concentration in the hands of a few firms owing to the small size of the home markets, the firms endure intense regulatory scrutiny and consequently don't have the freedom to expand internally, he notes.

The size of some of these companies dwarfs their U.S. peers, Suhler comments. "Two out of the three largest publishers in Holland have revenues of about $1 billion in U.S. dollars," he notes. "That's in a country of 15 million people, one twentieth the size of the United States." If you take U.S. media companies and subtract their broadcasting operations, which European companies are not permitted, "you'll find many European publishers are order of magnitude relatively larger for their population base than are U.S. companies," he states. Merger boards have the authority to keep them from growing, he notes. "Since they aren't able to grow locally, they look to the United States as a bigger, faster growing, more decentralized market not as dominated by a few companies, and with a political environment and economy more open than their socialized systems," Suhler states.

Culturally as well there are "comforts" to being here. "This is the largest English speaking country in the world," notes Ron Segel, president of Cahners Publishing and Reed Publishing USA.

"There are parallels between our



Maxwell Communication, PLC

Covets U.S. business publishers

Robert Maxwell, "the bouncing Czech" based in the United Kingdom who has become an international media baron in the last decade, knows what he wants: a global communications company worth between $5 billion and $10 billion by 1990.

His parent company, Maxwell Communication, PLC, already has major holdings throughout Europe, the Far East and Africa, but his sights are particularly focused on the United States and Canada. Like other foreign publishing giants bent on expansion, Maxwell sees North America as a prime spot—given its large literate population and the diminishing value of the dollar. His Connecticut-based Maxwell Communication, N.A., is his base of operations on this continent.

To say that Maxwell has the deep pockets with which to bring this about is to state the obvious. In last year's annual report, he says that a mere $2 billion was available for acquisitions. In early summer, he paid $150 million to acquire the SRA Publishing Division of IBM, consisiting of eductional and testing books.

His latest move was to enter the bidding war with the Robert M. Bass Group for Macmillan Inc. At press time, Maxwell had bid $80 per share, or $2.32 billion, topping Bass's bid of $75 per share. But Maxwell's bid is contingent on Macmillan's declining to go ahead with a proposed restructuring. Macmillan, publisher of Standard Rate & Data Service directories and a slew of technical journals, would seem to be a good fit for Maxwell, whose Pergamon Press already publishes many such periodicals. In general, Maxwell has a decided taste for technical, business and educational periodicals.

Maxwell says in last year's annual report that "our objective is for more than half of our total Group earnings to come from [communications and publishing]." But so far he has been much more successful, at least in the United States, acquiring communications firms—in printing, fulfillment and telecommunications—than publishing companies. The Macmillan bid comes on the heels of last year's unsuccessful takeover attempt of Harcourt Brace Jovanovich, which recapitalized in order to thwart Maxwell. Maxwell has also missed acquiring Bell & Howell and *Scientific American*.

As a U.S. magazine publisher, Maxwell so far owns only 12 agricultural titles (obtained in the acquisition of Webb Printing) and Pergamon Press. Subsidiary Headway Publications, a publisher of customized magazines based in Great Britain, opened a New York branch this year following the launch of *Global Business*, a controlled title with partial distribution to U.S. executives.

But beginning in late 1986, Maxwell began buying U.S. printing concerns—Providence Gravure, Webb, Diversified Printing and Alco Gravure—and has now established himself as the second largest printer in the United States after R.R. Donnelley, with annual sales in excess of $700 million. He has already become the number-one producer of Sunday magazines, including *Parade* and *USA Weekend*; the contract for *Parade* is said to be in excess of $1 billion.

Maxwell has also acquired two fulfillment firms—PUB/DATA and Worlco Data Systems, as well as Direct Marketing Technology, a database services company catering to the catalog and direct marketing industries. And Maxwell, in his only joint venture thus far, has collaborated with Quebecor Inc. in acquiring a 56 percent interest in Donohue Inc., a Canadian newsprint and pulp manufacturer.

In the telecommunications field, Maxwell has acquired AD/SAT, which does satellite transmission of advertising to newspapers nationwide. He also owns Independent Network Systems, which transmits editorial information—text, photographs and graphics—by satellite to periodicals, including magazines.

Maxwell apparently means it when he says that his goal is to "give our customers one-stop facilities to meet their global professional communication and information needs."—*M.G.*

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experiences . . . they don't feel vulnerable to misunderstanding the tastes of our consumers," Suhler adds.

"It's a large market, the consumers are rich, there are a number of business opportunities and it's a homogeneous buying group," Goodman states. "Every home has a VCR. It's not like Europe where tastes are more idiosyncratic and there is a chauvinism about the best cars being German or the best food being French, built up over 800 years of culture. In the United States, people don't care where the product comes from as long as it's good quality and a good price." There are also difficulties in cross-country acquisitions within the European community, although many barriers will be coming down in 1992, Goodman notes.

Plus, the home markets are really saturated, Goodman continues. "European companies had huge growth in the sixties and eighties and they saturated their markets. Now they've run into a wall at home," he says. Plus, the home markets are more fragmented, not as affluent, and there are divisions separating classes, for instance, in England. "They don't think alike," he states. "This is a simple, easy to exploit, very open people," he says of the U.S. populace, and quotes a statement attributed to Rupert Murdoch that all Americans need are eight hours of sleep, eight hours of entertainment and eight hours of work, which they do all in the same language and culture.

There is also a sense of stability in

International Thomson Organisation Ltd.

Positioning for U.S. growth

Look for Canadian publisher International Thomson Organisation Limited to increase its presence in the United States as at least one major group reorganizes for expansion and others launch new titles.

Regarded as a solid, well-managed and highly profitable business publisher, Thomson intends to continue its growth with an aggressive but very selective acquisition program. Noting increasingly competitive markets, Robert Jachino, president of Thomson's Information/Publishing Group, has told stockholders that Thomson will be "a vigorous, successful competitor in all its marketplaces."

Thomson has not been a particularly active buyer in the U.S. magazine market in recent years, however. In 1986, its Business Press division—Thomson's principal U.S. magazine publisher—bought a six-title group for $15 million. Last year, it bought *Convenience Store Merchandiser*.

In fact, Thomson's Business Press sold more magazines than it acquired this year, consolidating and streamlining some groups by selling off titles that no longer fit into its finely targeted magazine networks.

Industry sources now expect Thomson to become a larger player in the U.S. magazine market, with each of the eight independent companies within the Business Press group acting on its own strategic plans. Medical Economics Company, for example, recently launched *Healthy Heart*. International Thomson Retail Press recently restructured its group of 9 titles as the first step in a growth plan expected to double the group's size.

Thomson is apparently a shrewd buyer. "They seem to be pretty savvy, pretty leading edge in terms of searching for value," says Mark Stone, vice president at brokerage Henry Ansbacher, Inc.

Stone views Thomson as an aggressive acquirer in certain of its divisions, such as the Information Services group. The company has been known to pay a small premium, if needed, to get the properties it wants.

A diversified international company, Thomson has seen steady increases in both sales and earnings in the last several years. In 1987, worldwide sales totaled $3.5 billion, turning an operating profit of $329 million. In addition to publishing, it has significant interests in leisure travel and oil and gas operations. Since it invested in oil in the early 1970s, Thomson has deployed its oil profits ($71 million in 1987) into building its Information/Publishing Group. The group has invested $1.5 billion over the last five years in acquiring businesses and product lines.

Overall, Information/Publishing has nearly 25,000 products worldwide, including more than 120 magazines. The group is Thomson's most profitable business with a 1987 operating profit of $212 million—64 percent of the company's total. Information publishing, which also has operations in the United Kingdom and Australia, saw profits rise 64 percent for 1987 over 1986.

Information/Publishing's magazine U.S. arm is International Thomson Business Press, publishers of more than 40 business and professional magazines and directories through eight independently operated companies. Each company publishes specialty business titles in such fields as medical, automotive, industrial, transportation and retail markets.

International Thomson Business Press accounts for only 17 percent of the Information/Publishing group's revenue. The rest is similarly attributed to five other divisions, which publish newspapers in the United Kingdom, professional books and financial data.

The cornerstone of Thomson's success, the company claims, is its decentralized management. Independent companies such as Medical Economics Company, Med Publishing and International Thomson Retail Press are managed in local offices around the country and are given a great deal of autonomy.

"[Corporate executives] know that the people out there in the trenches know what the business is all about," says Stone. "They realize that the best thing the corporate people can bring to the table is objectivity, the ability to ask the right questions and get local management to focus in on some things it might otherwise miss. But that's it. They are very progressive and decentralized in that way."—*P.F.*

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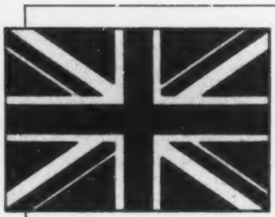
this culture. "They feel safe here," says Charleson.

The buying fever feeds on itself. As more companies are bought up, the realization will increase that U.S. companies are valuable because there will be fewer of them to be bought and there will be more interested buyers, says Goodman. "These companies can't help but appreciate," he adds. "As demand rises, the buyers grow and are flush with cash, faced with saturated markets at home, they must come here."

Japan is frequently mentioned as a potential place to expand, Goodman adds, but lack of understanding of that culture prevents it. Plus, there is a xenophobia on the part of Japanese that fends off foreign investors and makes Japanese reluctant to work with foreigners, Goodman notes.

It will be interesting to see, adds Steve Rattner, managing director and head of the communications group at Morgan Stanley, if the Japanese and Far Eastern publishers end up coming to this country to publish or acquire.

So what are U.S. publishers doing in the face of these remarkable forces from abroad? Are they in there fighting for these acquisitions, or do they give up before they begin? It's obvious, says Suhler, that U.S. companies don't have "quite the number of factors driving them to acquire" that the foreign-



United Newspapers plc

A serious force on the acquisitions front

Name a U.S. business magazine group that has come up for sale in recent years, and you can bet that United Newspapers (UN) has looked at it very carefully. Recently, UN considered buying the holdings of Argus, a U.K.-based company that wants to unload its publishing interests. In the United States, Argus owns Communications Channels, Atlanta, which has a roster of several dozen magazines and directories.

For now, however, UN's American interests include Gralla Publications; Miller Freeman; *Pro Sound News*, a technical magazine about sound equipment; and *Buy Lines Press*, a title that runs only classified ads. UN also owns Britain's Extel Group, whose U.S. titles include *Investment Dealer's Digest* and *Wall Street Computer Review*. UN entered the U.S. media arena with the purchase of PR Newswire.

Since then, UN has been a serious force on the acquisitions front. The company was second in the running for Billboard Publications, which was sold in 1986 for $100 million to Affiliated Publications, Inc., an American newspaper company. The final purchase price was astronomical, says Graham Wilson, a UN executive director, offering an explanation of why UN dropped out.

Springhouse Corporation, recently sold for the same price, was another opportunity that UN passed up. Paying prices that are 22 times earnings—which is the case with Springhouse—doesn't interest UN. The American business magazine publishers can't assume that "one will always pay these silly prices," says Wilson. UN had the same feelings about Gordon Publications, which also "went for a very fancy price," says Wilson.

By contrast, UN paid nine times earnings for Gralla and Miller Freeman, says Wilson. Since the acquisitions, the two companies have grown noticeably. Gralla has expanded its expositions group, while buying several eye-care magazines and *Sew Business*. The company also launched a real estate magazine last year. Miller Freeman, which publishes several magazines about the paper trade, expanded its computer interests with the buys of *UNIX Review*, *Computer Language* and *AI Expert*. The company has also picked up *Medical World News* and some conferences.

UN runs its U.S. operations with an open hand—not even having a central U.S. office. In turn, the U.S. companies are run as independent operating units. Gralla and Miller Freeman talk on occasion to make sure they are not bidding against each other on an acquisition, says Marshall Freeman, president, Miller Freeman.

UN is not shunning consumer magazines, but their even higher price tags make them less attractive, says Wilson. However, the purchase of a special interest magazine is not out of the question. UN already owns a host of such titles overseas. *Classic Boat* is one example.

Newspapers, their mainstay at home, are not an attractive item in the United States, says Wilson. Again, UN is not happy about their high selling prices. Newspaper operations make more financial sense when they contain a group of publications, something UN is not interested in building.

UN is interested in business information systems, like the financial information databases that are related to Extel's magazines.

In 1988, UN's holdings worldwide are expected to bring total revenues of approximately $1 billion. Its properties include approximately 104 newspapers, 36 consumer magazines, 131 business magazines and seven advertising periodicals.—*J.M.A.*

ers do. "Some American companies, if they know the property is going to be logically attractive to international media companies, may not begin the process. They may not come to the party if they know they don't have the will to go all the way," he states.

Or, if they do compete, they may be more driven by straight economics than the foreign competitors, who may have an overriding desire to establish a beachhead in the United States. "The American companies are already here. They may not have the strategic issues driving them, and obviously don't have to pay a premium to be here. It's been our experience that of U.S. companies actively interested in negotiating, they may not have the last 10 percent to 20 percent worth of value to put down in a bidding fight," and will consequently lose out in that round to foreigners, Suhler states.

"Americans tend to look more at what they can do operationally with titles, how efficiencies can be made from combinations with properties they own," comments Kenney. "Europeans don't have those combination powers."

Some observers of the acquisition scene say nationality matters less than whether the company to be acquired is a "strategic fit," with the acquirer.

"Foreigners are buying selected assets here and they buy when the dollar is weak and when it is strong," says Ken Nelson, president of Elsevier Business Press. "They're buying strategically into the United States."

The key to any acquisition, agrees Segel, is how the property to be acquired fits with the management of the acquiring company. "I wouldn't say that Europeans are predominant in this market," he asserts. "It's individual fits between companies that are important, not nationalities."

In illustration of this fact, Segel points to the long courtship Cahners and Reed made for Technical Publishing before its acquisition in 1986 for

VNU Business Publishing Inc.

Planning aggressive expansion

VNU Business Publishing Inc., the U.S. publishing arm of Holland-based VNU (translated: United Dutch Publishing), plans to be one of the most aggressively expansive business publishers in the United States during the rest of this decade. The company, called Hayden Publishing before being purchased by United Dutch Publishing in late 1986, currently generates advertising revenues of $55 million. By 1990, if all goes well, that figure will reach $100 million. This is clearly a company to watch.

Perhaps VNU's greatest strength is that its parent is one of the most powerful publishing enterprises in the world. United Dutch Publishing, which employs 9,000 people worldwide, racked up overall net revenues in 1987 of $1.107 billion. On its home turf, it publishes consumer magazines, owns printers and newspapers, and runs a newsstand operation and a market research and database division (which also has a U.S. branch).

The parent firm's dominance of publishing in Holland led to a decision in the late 1970s to seek growth elsewhere in business publishing and business services. Starting with two business titles in Great Britain in 1980, VNU now has 42 titles there, with ad revenues of $75 million yearly. Besides the United States and Great Britain, VNU has publishing operations in 15 other countries, including France, Spain, Australia, Greece and India.

Even with these credentials, how do you increase ad revenues in the United States by $45 million in less than a year and a half? One-third of the growth is expected to come from existing properties, with two-thirds from start-ups and acquisitions, according to Robert Lydon, president of the U.S. publishing branch. VNU, probably best-known for *Personal Computing* (its only consumer title) will stick to the computer and electronics industries for its immediate growth, according to Lydon.

VNU is figuring out ways to build on its current roster (which includes *Personal Computing, Electronic Design, Electronics, Microwaves & RF* and two recent start-ups—*Macintosh Business* and *Engineering Tools*). The firm has started *Electronic Design* Gold Editions, a quarterly product directory sent to the same audience of electrical engineers as 36-year-old *Electronic Design*, a twice-monthly magazine. In September 1988, VNU launched *Electronic Design International*, a 40,000 controlled circulation monthly magazine mailed exclusively outside the United States. "We think the market in technology is becoming global," says Lydon. "If a publisher wants to serve that market's ad community, he'd better figure out a way to go international."

With these additions, *Electronic Design*, in effect, goes from a 24-times-a-year to a 40-times-a-year publication.

VNU's latest acquisition was *Electronics*, purchased last March from McGraw-Hill. Lydon says the company will stick to purchasing single titles, rather than whole publishing companies. At press time, Lydon was in negotiation for a few more titles, though he declined to provide details.

Lydon admits that VNU is negotiating with domestic and offshore publishers, including sister firms in Great Britain and Holland, to establish joint ventures in the United States and abroad. VNU has already set up licensing and cross-licensing agreements with Japanese publisher Nikkei, and Gruppo Editoriale Jackson, an Italian publisher.

VNU's acquisition philosophy is to purchase titles that "fit our portfolio," he says. "We ask ourselves, 'Does it fit our present mix?" and, "Can we make a success of it?' " Purchases, adds Lydon, are always made in cash.—*M.G.*

$250 million. "We were in contact with them for years," because Technical was perceived to be such a good addition to Reed's publishing properties, and in effect Reed made a preemptive bid for Technical, Segel reveals. "It was a company we knew we wanted and we followed it for years . . . . It didn't matter that Reed was foreign and it wasn't a matter of price," he states.

In fact, Segel says money is not an issue for American companies in acquisition battles. "Money is the least of the problems in U.S. versus foreign acquisitions," he states. "There is a lot of money available from banks in this country."

If an American company sees a potential acquisition that would make a strategic fit, it will reach for it, agrees Jim Boddorf, executive vice president at Veronis, Suhler. "There's a lot more to the decision than price," he states. "You measure the potential acquisition against a list of criteria: Do I know about the business, is it a market I want to get into," he notes. Although American companies obviously face serious competition from foreign publishers, "they can and do face up to it when something is a strategic buy," Boddorf claims.

In a recent competition for *Furniture Today*, Cahners faced competition from a number of American bidders, Segel reveals, among them Gulf & Western and Macmillan. "There are still a lot of active U.S. companies," he states.

Cahners represents an interesting hybrid of a foreign and domestic publisher. Although Cahners is owned by the U.K.-based Reed International, it behaves more like an American company than other foreign publishers, several observers say, and in fact is perceived as more American by competitors here and abroad. Segel acknowledges this perception: "I have the advantage of being a U.S. company with a good reputation in the Unit-

The Hachette Group

Reconnoitering and researching

Now that the Hachette Group has realized its ambition to secure a full-fledged publishing base and establish a beachhead in the United States with its $712 million purchase of Diamandis Communications Inc. (DCI) last June, the French publishing giant expects to run some reconnaissance missions before deploying its considerable forces. Hachette paid 11.8 times cashflow for the U.S. company.

According to Didier Guerin, president of the U.S. subsidiary, Hachette Publications Inc., the Group will continue to shun the business magazine sector in favor of consumer publications. Moreover, at present, further acquisitions are improbable because titles currently on the block have very high asking prices. Therefore, Hachette/DCI executives are concentrating on launches of special interest and niche-oriented consumer publications. Plans call for rolling out one new magazine per year. However, Guerin cautions, this shouldn't be interpreted as a sign that Hachette intends to embark on a much more aggressive U.S. expansion strategy.

Concerning other plans, Guerin reiterates that it has no intention of selling titles to pay off debt—especially since it now has complementary magazines in several markets. (For example, *Car and Driver* and *Road & Track* are numbers one and two in their field.) Nevertheless, given that most of DCI's titles are in mature markets, the betting among industry watchers seems to be that growing *Woman's Day* and most of the special interest publications is going to be tough.

What other options is DCI examining? Projects that lend themselves to international expansion and cross-pollination. For example, according to Peter Diamandis, president/CEO, *Memories*, a nostalgia magazine, has a concept that should prove completely transferable across international borders, and indeed should also cut across media boundaries, from print to television. A one-shot CBS network TV special based on the *Memories* concept aired in August. Future forays in the broadcast arena depend on audience reaction, notes Phyllis Crawley, vice president, communications, at DCI.

In the meantime, growth plans are also being developed for Hachette's joint venture with Murdoch Magazines, which owns *Elle* and *Premiere*. The partnership will continue on a 50:50 basis, affirms Guerin; and the company is working on importing more French magazines. The two are reportedly also planning a home-decorating/design spin-off of *Elle*.

Hachette also owns book publishing and printing interests and paid almost $450 million for Connecticut-based book publisher Grolier Inc. the same week it bought out Diamandis. It also owns Curtis Circulation Co., Hackensack, New Jersey.

The Hachette Group is at a decisive point in its international strategy. Until the acquisition of DCI, this development was marked by the different publications of *Elle* in 11 countries. By the end of this year, there will be 14 editions. Today, the United States represents the first outpost of Hachette's overseas activities, accounting for 28 percent of the Group's overall sales. From a total of $3.6 billion, Hachette expects 1988 revenues from its magazines of $1.9 billion, including $300 million from Diamandis.—*S.Z.*

ed States," and also having the financial strength of European backing, he states.

The Cahners example supports a thesis of several observers of the United States vs. foreign publishing acquisition scene: that the longer a foreign company has a base in the United States, the more it comes to behave like a U.S. company. (Reed purchased 30 percent of Cahners in 1967 and the balance in 1977, Segel says.) Says magazine publishing consultant James Kobak: "Foreign companies may overpay initially to establish a base in the United States, but after they are here for a while they will operate more and more like a U.S. company." He cites Cahners as a U.S. company that's ended up "being pretty independent." And while foreign companies may seem to compete very strongly in order to establish a base, they'll slow down once that is established, Kobak believes.

"Overseas acquirers have an entry strategy combined with a favorable currency situation that causes them to buy larger and more visible clusters of magazines and pay a premium for them," agrees Hershel Sarbin, of Hershel Sarbin Associates, Inc. "We're going to see overseas companies with a presence here behave much more like what we call American companies. The longer they're in the marketplace, the more their acquisition policies will be similar," he says.

When a deal is done, it is also often more nonfinancial considerations that finalize negotiations, a number of viewers say. If American companies were to become more sensitized to these issues that are important to sellers, they might have more success, comments Boddorf. "In every deal there are a number of nonfinancial considerations in play," he states. Personal chemistry, the comfort level management feels with the acquirers, the degree of autonomy promised—all are important to sellers, he notes.

"U.S. companies can use knowledge of these nonfinancial considerations to finesse the stronger buying power offshore sellers may offer," Boddorf claims. There may even be a feeling on the part of some U.S. publishers that they would rather "buy and sell American," and that could be capitalized on, he suggests.

"Too many companies focus on the financial side alone without really

Elsevier NV

Looking for well-managed companies

In July 1987, Elsevier NV of Amsterdam made what was called a "strategic investment." It purchased 37 percent of the shares of Wolters Kluwer, a major publishing house in Holland. According to a company executive at Elsevier, one of the primary reasons for the purchase was that Wolters Kluwer had an English-language scientific publishing division, and the merger of two companies would produce a company of more favorable size in the international market. The saturation in the Dutch publishing industry and Elsevier's wish to enter the market of English-speaking nations triggered the company's campaign to look for a base in the United States.

"The Dutch market for the company was clearly smaller than the market in America," says Kenneth Nelson, president, Elsevier Business Press in America. In July 1985, Elsevier bought Gordon publications for $40 million and made it their U.S. base unit.

Industry watchers term Elsevier a scientific publishing house. Almost all the magazines owned by Elsevier Business Press, their U.S. publication company, are business publications catering to the needs of those in medicine, education, industrial and information services. The company has bought 30 trade publications in the past three years. Recently, it bought Springhouse for an estimated $100 million. Subsidiaries like the Congressional Information Service and Greenwood Press were started to serve the needs of U.S. university libraries by producing microfilm and microfiche of Congressional documents. Other activities include an investment corporation and a special project unit that publishes medical books and directories.

Its investment strategy is simple—go for the magazine that is the leader in its field. Most of the titles owned by Elsevier Business Press have a very strong market base, claims Nelson. So, with every acquisition, it makes sure that the acquired publication's operational management is left untouched. "We acquire a publication only if it has a strong management base," Nelson says. "That way the company can be left to run without interruption."

Elsevier is always on the lookout for new acquisitions. "We look at nearly 15 acquisitions every year. Currently we have three acquisitions in mind," says Nelson. He adds that the company has always done business in cash so far. It has purchased publications for as little as $10,000, and has also looked into a $500 million acquisition. The latter, however, failed to come through.

The only setback the company has faced so far is the failure of *Mart Magazine*, which folded last year in December. The magazine, originally started by Buttenheim Publishing and acquired from Morgan Grampian by Gordon Publications, was constantly losing money because of its dwindling ad revenues, according to a company executive.

The perception of foreign bidders coming out on top in the majority of buying transactions because of stronger purchase power is untrue, Nelson says. Of the total biddings lost, Elsevier loses most to the domestic companies. In the past it has lost bids to Macmillan and Times Mirror Inc.

Today, the three operating groups owned by Elsevier, Elsevier Science Publishing, Elsevier Business Press and the Information Group, generate 200 million in billings, which account for nearly 25 percent of Elsevier's worldwide business.—*S.M.*

thinking about who they're dealing with and what the seller's nonfinancial requirements might be, whether they have a wish list, which might include, for instance, to stay on and manage the company," he continues. In every deal, there are "varying degrees of sensitivity to these considerations," on the part of bidders, he notes.

One recent example of a deal where nonfinancial considerations were very important is Elsevier's purchase of Springhouse, he adds. "Springhouse was sold by two entrepreneurs with a very strong sense of responsibility about the company's future and their employees. They wanted to be there continuing to run the company as they had in the past without heavy-handed interference from the buyer. These were strong nonfinancial considerations made clear to all the potential buyers but they were responded to in different ways. Elsevier and another company that bid up till the end were in tune with what the seller wanted in this regard," he reveals. Elsevier ultimately won out through a combination of personal chemistry and through a proven track record of acquisitions in the United States in which the acquired companies were left autonomous. "It wasn't a price war," Boddorf maintains.

There is often a perception that a foreign acquirer may give greater autonomy to a U.S. publisher, agrees Nelson, the victor in the deal for Springhouse. "Four companies bid and two were finalists. We were able to prevail because we agreed to give the company greater autonomy than a U.S. company would," he says. "Although I would manage the Elsevier holdings in this country, the parent company is in Amsterdam," a grueling amount of travel time away, "and the perception is that the foreign company would allow for more freedom here," he states.

The president of a company often mentioned as a potential takeover target, Frederick Waingrow of Petersen Publishing, confirms that nonfinancial considerations would be important in any sale. "We would go well beyond the price in determining who should acquire a company like our own," he states. Nonfinancial considerations such as the caliber of the acquirer, its objectives, its general culture and environment and the compatibility between the two companies would be extremely important, he notes. Not that Petersen is for sale, of course. "We continue to be more interested in acquiring than in being acquired," he states. Petersen recently bought *Sport Magazine* and is mentioned by consultants as active on the acquisition trail.

And in the end, each sale is special unto itself, adds Kenney. "You can't really generalize about these acquisitions," he states. "In a lot of cases there is something special, a particular reason why a bidder wins—it's not just based on the numbers. The reasons a bidder may go high for a particular company range all over the ball park. There usually is a story attached to every situation, and every story is different." There is also no consistent overpaying going on by any one buyer, Kenney adds. "If someone overpays for their first acquisition here, they'll be careful not to overpay on the second," he notes.

And anyway, the street talk about overpaying is often wrong. "Everyone said CBS overpaid for Ziff, and they were wrong. And then everyone said Diamandis and now Hachette have overpaid," says Kobak. "In reality those prices were all right in line. The amounts paid over the last 20 years are no different than they've ever been. In general people are still paying between nine and 14 times earnings."

The perception that U.S. companies are not competing in the acquisition arena is really false, say some knowledgeable observers. "There may be the perception of a lot of foreign activity, but that may be somewhat incorrect," Nelson says. "There may be 10 to 15 foreign companies interested in the U.S. publishing industry and that's up from two years ago and definitely up from five years ago, but the acquisition level is still in balance with what's going on with U.S. companies." He cites a bidding war for *Plants, Sites & Parks* a year ago in which Affiliated Publications won out over Elsevier.

American companies are definitely in the bidding for publishing takeovers. The 20-odd analysts and publishers interviewed for this article compiled a list of active U.S. acquirers that includes many of the major U.S. publishers: Time, Hearst, Macmillan, Affiliated, Times Mirror, Gulf & Western, New York Times Company,

Bertelsmann AG

Gearing up for more buys

Why has Bertelsmann, widely accepted as the world's largest media company, with 38 consumer magazines, book clubs, book publishing, music and numerous video and broadcast interests, kept such a low profile in the U.S. magazine acquisitions scene in the last few years? Because it has been busy integrating its $800 million buys of Doubleday book publishers and RCA Records into its operations.

The deals closed in 1986, within two days of each other, putting a bit of a strain on the company's usually full coffers, explains Dr. Juergen Kraemer, head of the company's U.S. corporate office. Initially, the company expected that it would take five years to digest the acquisitions, but that timetable has been abridged, says Kraemer. The burden is easing, which leaves Bertelsmann open to buying more properties. Bertelsmann's July 1987-July 1988 revenues will be in the $6.0 billion range, with net income after taxes adding up to about $140 million, according to estimates.

The 153-year-old company owns 75 percent of Gruner + Jahr, a German based publishing company that produces *Parents*, *Young Miss* and *Expecting* for the U.S. audience, as well titles like *Prima*, for European women, and *Stern*, a German newsweekly. The woman's market continues to look attractive, says Kraemer, who discloses that the company has negotiated for U.S. women's titles during the last few years. Launches in the field are a possibility, too.

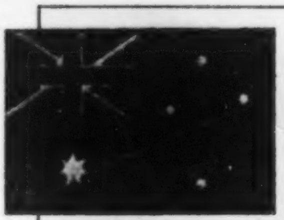
Bertelsmann was also a bidder for *U.S. News & World Report*, up for sale in 1984, but came in second place to real estate developer Mort Zuckerman.

But don't get the impression that Bertelsmann is exclusively a consumer magazine company. It has a roster of 70 professional and technical publications in Europe, notes Kraemer, who laments that the company has not had the chance to export these to the United States yet. "We would have loved to have gotten into it earlier," he says. The company is now studying the options.

Bertelsmann's most notable error in the U.S. market was *Geo*, a title that soaked up an estimated $50 million before it was sold to Knapp Communications in 1981. The magazine's demise was blamed, in part, on Gruner + Jahr's failure to establish an identity for the magazine, say observers. For a while it looked like a *National Geographic*, but then became a travel title. Readers and advertisers were confused. The lesson, a painful one, was significant in teaching Bertelsmann to seek U.S. publishing expertise, industry pundits noted at the time.

Today Bertelsmann is know for its decentralized management style. "They really believe in independent, entrepreneurial-type companies," says Elizabeth Crow, president of Gruner + Jahr in the United States. "The relationships between the companies are cousinly," she says.

Bertelsmann, whose growth is legally limited in its home country, is also eying other international markets, notably the Far East, says Kraemer. The company, whose vast holdings include Brown Printing and numerous book clubs throughout the world, is expected to be a very active player in the U.S. magazine industry.—*J.M.A.*



Murdoch Magazines

Aggressively buying in the USA

When Rupert Murdoch bought 24 Ziff-Davis magazines in November 1984 for $350 million, he sent a message to the U.S. publishing industry: Murdoch Magazines was ready to invest extensively in the American market. And he powerfully telegraphed that message home in one of the largest transactions ever in the publishing industry, when Murdoch's News Corp. acquired closely held Triangle Publications Inc. for $3 billion this August.

Murdoch Magazines started its operation in 1974 with *Star* and went on to acquire *New York*, and *Village Voice* in 1976. That was it until the early eighties.

According to Leslie Hinton, executive vice president of Murdoch Magazines, the group has been searching for a balance between business and consumer magazines. Prior to the Triangle buy the company's consumer division generated $200 million annually in sales, as compared to $100 million from their business division.

Murdoch executives have shown an interest in acquiring magazines rather than starting them. Other than *Star*, the only magazine the company has started is *Automobile*, which the industry pundits term a lukewarm success. (However, with 3.6 million circulation each week, *Star* can be termed a success story.) Despite this background, Hinton suggests that there is no set policy against start-ups.

Hinton reiterates that the company's policy has been strictly to look for good opportunities without excess concern over the high asking price. Industry watchers following the growth of Murdoch Magazines point out that the company has become very aggressive over last three years, culminating with the Triangle purchase. With the acquisition of *In Fashion* in February from VSI magazines (based in West Germany), Murdoch has again taken a plunge in the fashion magazine market. "We are constantly looking at companies," adds Hinton. But Hinton points out that there is no specific field of interest for the company. "We buy when we like the tangible assets of the company—the people," he quips. To Hinton, that's what makes or breaks a magazine.

The other options Murdoch is examining are projects that will give the company an international exposure in the publishing industry. Murdoch started the U.K. edition of *New Woman* recently and plans to expand the boundaries of other magazines too. But the single most important factor of Murdoch's pre-Triangle success may have been the joint ventures with the French publishing giant Hachette Group—*Elle* and *Premiere*.

The companies are also reportedly planning a new joint venture that would bring *Femme*, targeted for women age 35-49, to the United States. However, the recent struggle for advertising dollars among the new "mature magazines" may have stalled those plans for the moment.

Today, Murdoch Magazines is a part of the $3.5 billion Australia-based publishing monolith News Corp. Other activities the corporation is involved in include a huge newspaper publishing company that operates worldwide, a commercial printing service, and a book publishing firm. It also owns Twentieth Century Fox and has television and broadcast rights throughout the United States and Europe.—*S.M.*

Meredith, Petersen, Conde Nast, American Express.

"In the case of competition for takeovers, it's definitely not a thoroughbred running against a halfbreed," states Rattner of Morgan Stanley. "Don't forget," he adds, "that Hachette lost out in last year's bidding for the CBS titles, which were acquired by Diamandis in a leveraged buy out. They got more aggressive later.

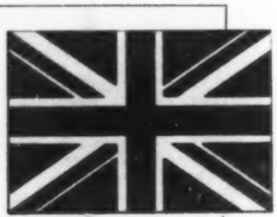
Foreigners don't win them all," he states.

In fact, says Kenney, if you look at a list of acquisitions that took place in 1987 and the first half of 1988, "although the Europeans are very active in the marketplace, the actual track of transactions shows Americans are still selling to Americans." In 1987, for instance, of 12 major acquisitions, only three involved foreign management, of Cahners buying *Variety* and *Modern Bride*, and John Fairfax buying *Ms*. There were even reverse transactions, in which the Reader's Digest bought *Family Handyman* from Maxwell, and McGraw-Hill bought aerospace publications from Murdoch.

Similarly, through the first half of 1988, there was the huge Hachette buy, but just a handful of other foreign acquisitions (Cahners' purchase of *Communications Today*, VNU's purchase of *Electronics* from McGraw-Hill, Murdoch's buy of *In Fashion* and *Sportswear International*, and Elsevier's buy of Springhouse.) The approximate dozen major other acquisitions were all Americans buying Americans. But the purchase of Triangle by Murdoch started off second half '88 with a bang.

Other analysts see U.S. companies suffering from a lack of entrepreneurship, needed to build global publishing empires. "U.S. companies are not as entrepreneurial as they used to be," Goodman suggests. "They got satisfied." The individuals in this country who would have made good entrepreneurs, like the U.K.'s Murdoch and Maxwell, "got top jobs in corporations instead," he says. Interests have been inward-turning as well, he notes. "A corporation like HBJ was content with Orlando Sea World. They had too many opportunities here. There isn't the grand cross continental vision" held by some foreign publishers, Goodman says, adding, "Americans are not well suited to go cross border, anyway. They're used to dealing with a more homogeneous market." Unlike

Reed International



Have cash, will acquire

Reed International is an aggressive force in U.S. publishing, anxious to build on American publishing holdings that already rank among the largest in the country. A giant on an international scale as well, Reed has some $2 billion to invest in publishing, according to Walter Cahners, vice president/corporate development at Cahners Publishing, Reed's primary U.S. holding. And the United States is one of the company's primary targets.

Several years ago, what was then a diverse British publishing, information technology and manufacturing company implemented a major strategy change that made Reed one of the largest media companies in the world, with assets of $2.3 billion, according to *Fortune*'s ranking of the top 500 international companies. That new strategy called for aggressive divestiture of several manufacturing operations and reinvestment of the resulting cash into major publishing operations in Europe and the United States. It's U.S. publishing arm, Reed USA, has made more than $400 million in acquisitions in this country in the last two years.

Reed USA comprises Cahners Publishing Company (acquired in 1976), book and directory publisher R. R. Bowker, and an international trade show operation with more than 160 shows. Cahners Magazines accounts for about 66 percent of sales, and exhibitions account for 27 percent.

In 1986 Reed USA paid $250 million for Technical Publishing and its 21 business titles, and acquired its first specialty consumer publication, *American Baby*. Cahners then paid between [illegible] million and $60 million for *Variety* and $64 million for *Modern Bride* in 1987.

In June of this year, Cahners purchased Communications/Today, Ltd., a group of seven business titles covering home furnishing industries.

The buys boosted Reed USA revenues tremendously. For the year ending March 31, 1988, trading profit rose from $63 million to $83 million on turnover that rose from $437 million to $525 million.

Reed is apparently anxious to accelerate the pace of its growth. "There's nothing that is beyond their capabilities, if they're interested in a property," says Cahners, referring to the $2 billion in proceeds from divestitures earmarked for publishing acquisitions in the United States and the Pacific Rim. He adds that Reed leaves most of the decision making to Cahners executives. To date, British headquarters has gone along with every Cahners purchase proposal.

Specialty consumer magazines will probably make up the greater share of Cahners' growth. The company already has solid leadership positions—by various forms of measure—with at least 40 of its 64 titles, claims Cahners, and he sees less room for expansion in those business markets than in consumer markets.

Cahners has been known to launch magazines where it can bolster market coverage, but acquisitions will continue to be its primary growth vehicle, says Cahners. In fact, the company is constantly on the lookout for new properties. It maintains and actively reviews a target list of magazines it would like to acquire and is not shy about pursuing them, whether on the market or not. The company is looking for special-interest field leaders, or near-leaders with the potential to dominate a market. It's looking for titles of an economic size comparable to its other titles, and will buy single titles or groups.

Cahners buys shrewdly, selecting only magazines that will turn a profit or can be folded into another to improve market position. It seldom sells titles.

Reed USA is also involved in developing communication technologies and expanding its cable television and specialty video operations.

Yet magazine publishing remains Reed's strength in the United States. Already boasting more than 70,000 ad pages annually, its priority is building that total through astute acquisition of specialty titles.—*P.F.*

many foreigners, many Americans speak only English, he notes.

Although some analysts question the ability of American companies to really expand their own publishing frontiers, others say start-ups are where the action lies for them. This contrasts with foreign companies' unwillingness to risk such ventures here themselves, says Suhler. "There is substantially greater corporate attention in the United States to start-ups and joint ventures as a way of expanding," Suhler notes. "If U.S. media companies are not as interested in going the distance in a straightforward acquisition process, offshore conglomerates are less likely to do start-ups here. They have inhibitions about picking the right people or product and are more apt to buy established companies with established positions and pay a premium to do so," he states.

"They're buying market share, rather than starting from scratch," Waingrow agrees.

There may also be a trend to more leveraged buy outs, suggests Sarbin, like Diamandis' acquisition of titles from CBS and Edgell's from Harcourt.

Also, there may be a number of "spin-offs" from major acquisitions—the sale of individual or small groups of titles that don't fit with an acquiring company's plan, Sarbin suggests. "It will be a strategy of disacquisition—selling off what doesn't fit," he explains. This will leave a number of opportunities for small growing publishing entities in special interest or business to make some apt acquisitions from larger companies, he notes. Such a spin-off just took place: *Creative Ideas for Living*, bought by the PSC partnership group that owns *Games*, from Time

Inc.'s recently acquired Southern Progress division, Sarbin reveals.

U.S. companies are also encouraging entrepreneurial start-ups within their own ranks, such as Time did with Robin Wolaner's *Parenting* and Fairchild is doing this fall with *Spice*, a magazine for black women. It avoids the "huge start-up costs" a large publishing entity could incur for such innovation, Kobak notes, while assuring there will be a magazine it can buy someday. As one consultant suggests, "Why have Time spend a year and $2 million designing a logo, when an entrepreneur would take two days and $5,000." Real value is being created in these entrepreneurial companies, this analyst said—for instance, Owen Lipstein's *American Health* and its affiliates. "Through hard work, struggling, and little capital, they've built a company a big publisher would love to buy and for which there would be severe competition if it were for sale," he states.

In part because of the amount of consolidation that has gone on through numerous acquisitions, the independent publishers that remain will all be hotly contested for, these experts say. In addition to Lipstein's company, Petersen and Knapp are often mentioned as likely targets, as is Lane Publishing. Recently it has been mentioned that *Newsweek* could be available, because of profitability problems it is perceived as having within the Washington Post Company.

On the acquirers' end, look for action from the Canadian Telemedia, which recently increased its ownership in *Harrowsmith* in the United States as a prelude to other acquisitions, says Orlow. Nelson notes that Elsevier is mainly interested in two kinds of acquisitions: small integratable companies and large stand-alone entities that can add a 'synergy' to what we own," he notes. It too, like Cahners, may be interested in diversifying into consumer magazines, he adds.

Don't be surprised if there seems to be a period of quiescence among U.S. acquirers, Segel adds—they've got a lot on their plates. "Capital Cities and ABC were active players but are now concentrating on broadcasting, as is CBS," he notes, while Edgell has to digest what he bought. "I'm sure that company will be active again," Segel says, but notes some major U.S. players are "sitting on the sidelines."

There are many different views on whether the level of foreign ownership of publishing in this country is good or bad. The high profile images of power hungry Murdochs and Maxwells get a lot of press, while some of the huge offshore conglomerates—Bertelsmann, Gruner + Jahr, VNU, Elsevier, Hachette—are relatively faceless. In part those impressions are the natural result of corporate personalities. For instance, Nelson notes that Elsevier has a "low corporate ego," with little desire for a high media profile. "The company has a flat corporate organizational scheme, it's highly scientific and technical with solid management credentials," he notes. In many cases, such an image is a help in acquisitions, he adds.

Practically, when a foreign acquisition takes place, it's important to do due diligence, notes Boddorf, and spell out carefully what each side expects. "You get into problems when you don't select your potential partner carefully and develop the right written support," he notes.

Many of the foreign companies have terrific balance sheets. They're not as heavily leveraged as many American firms.

[redacted]

The purchase of Hayden by VNU has been beset by problems involving a disagreement on what was agreed to be paid for the company, sources close to the company say. The payout for the company was contingent on earnings, one source says, and Hayden is arguing it is entitled to additional payments.

On a more philosophical level, the issue of ownership of the American press by foreigners troubles some analysts and doesn't bother others. "Independence is a state of mind," Kobak asserts.

A study of the behavior of foreign acquirers in this country would find a record of probity and competence, Suhler notes. "Anyone who is uncomfortable with the growing presence of multinational companies on the U.S. media scene should have the opportunity to observe what happens when one takes over," he says. "My observation is that their managements are very competent publishers. There has been no loss of professionalism or a wholesale overhauling of management," he notes. Most senior managements have been retained or replaced with other Americans. "They are pretty terrific publishers," he concludes.

They are too savvy, he adds, to in any way adulterate the news-gathering process in this country. "Media prosperity is related to audience and they know that," he states, adding that abuse of publishers' relationship with their audience would be bad business. Suhler notes it is only wise "to be on our toes for the potential of problems, despite the lack of evidence of any."

Consultant Orlow is a lot less sanguine about the changes: "Other countries have laws to forbid the foreign ownership of the press, but we only protect electronic media and newspapers. We've sold 25 percent of the press to foreigners in the last decade. The only ones not here are the Japanese—and 10 years ago none of them were here. There are now 25 foreign publishing companies with major holdings in the United States—25 years ago you couldn't list two. I think the magazines of a culture should be owned by people in that culture, and it's inherently unhealthy" for there to be such a degree of cross-ownership.

"There is such a thing as a national interest and it can get in conflict" with the profit motive. "It depends on what your notion of a free press is, but I don't believe the nationals of one country should control the media of another country. We shouldn't allow our channels of communication to be owned by other than American citizens," he says.

Then there is the possibility that this is all part of a great cycle, and that eventually the ownership question will balance out as more U.S. companies build and acquire new publishing entities. "What we've had is a group of small publishing companies that built niches for themselves and sold them," says Beatty, and this is happening again. "There is no trend to concentration in the hands of a few. There is always the small independent publishing company that can put out a dignified editorial product and beat the big guys. It happens time and again."

Sounds familiar—like the old American dream, doesn't it? ☐

FOLIO:'s 1988
Production salary survey

How do you compare to your peers in production? Salaries reported by sex, number of pages, years in the business, and more

BY ROBERT M. STEED

Magazine production is one of the most vital, least understood aspects of the publishing business. Those in production must blend attention to detail and deadlines, artistic sense and cost consciousness with an ability to keep up with the dizzying pace of technological innovation.

In its fourth annual production salary survey, FOLIO: provides some insights into salaries paid to people in production. Although those salaries can be substantial for people working on large magazines, the overall averages appear lower than those for other magazine functions FOLIO: has surveyed.

Following are some of the general findings from the responses of almost 500 production directors and production managers:

- For production directors, salary and total compensation are clearly related to the size of the magazine, whether measured by circulation, number of total pages or staff size. That correlation is far less pronounced among production managers.
- Experience also pays off much more handsomely for production directors than for production managers.
- In contrast to production directors, salaries and total compensation of production managers generally show only modest variation based on the different factors affecting pay that FOLIO: has analyzed.
- Almost two-thirds of the total sample are female. And women continue to earn less than men, with the gap being narrower among production managers than in the more senior job.
- Consumer magazines consistently pay more than business magazines throughout almost all the breakdowns of the data.

One technical aspect of the responses may provide a clue to these and other results. Although questionnaires were sent to an equal number of production directors and production managers (see box on methodology), there were substantially more responses from production managers. This may suggest that, in many cases (perhaps on smaller magazines), respondents with the title production director on the masthead found the questionnaire's job description of production manager to be a closer match to their responsibilities.

Production directors

The average salary of production directors responding to the survey is $41,170. For those who receive a bo-

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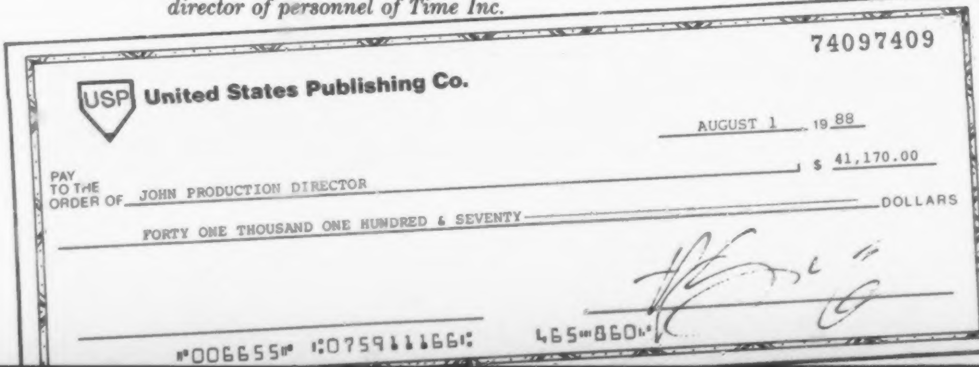

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USP United States Publishing Co.

AUGUST 1 19 88

PAY TO THE ORDER OF JOHN PRODUCTION DIRECTOR $ 41,170.00

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EARL KELENY

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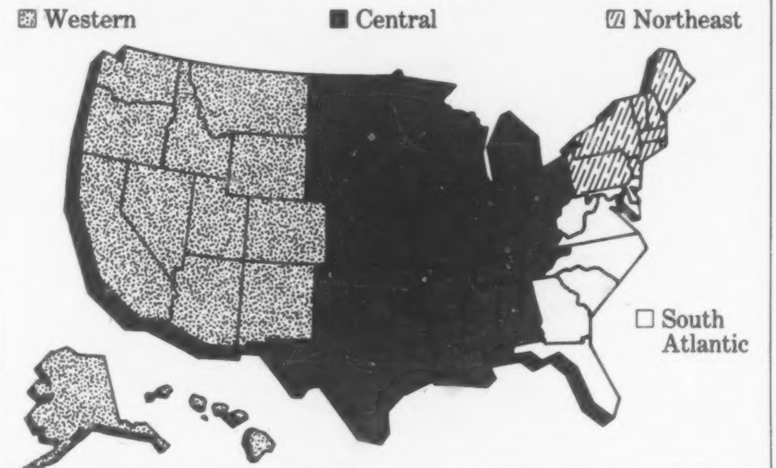
> "It's a constant battle to stay abreast of the technology, and continue to be cost-efficient. I find that challenge rewarding."
>
> —Production director in the Midwest, earning roughly $35,000 in salary and bonus.

The regions have been divided as follows:



nus (about 44 percent of the sample), total compensation is $49,592. The bonus is not the only factor in that difference, since the salary alone of those eligible for a bonus (half the directors) is $6,000 more than those who are not bonus-eligible.

Directors working on consumer magazines outpace their business magazine counterparts by over $5,000 in salary and by $9,000 in total compensation. Consumer magazine directors come out ahead in almost all the breakdowns of the data, which may be caused, in part, by the fact that over two-thirds of those responding to this survey work on consumer magazines with circulations of 100,000 or more.

The sample was evenly split between men and women. But women earn only 78 percent of the salaries of men; and the ratio falls to 69 percent on a total compensation basis. Because this survey tests only one variable at a time (see box on using the numbers), it is not possible to tell to what extent, if any, this outcome results from factors other than sex—such as the size or frequency of the magazines on which female production directors work.

Experience clearly pays off: The salaries of production directors in the business more than 20 years are almost double the salaries of those with three years' or less experience. A Northeast location helps as well. That region pays salaries $5,500 more than the next highest (the West) and $12,000 more than the South Atlantic, which is the lowest paying area of the country.

Scope of responsibility bears a clear relationship to pay as well. Production directors working on more than one magazine (56 percent of the sample) earn $8,500 more in salary than those working on just one magazine. And those with a staff of more than five earn $51,044, compared with the low $30,000s for those with a staff of none or one, and $39,546 where the staff is two to five persons.

But the clearest indicator of all is size of magazine, no matter how measured:

- Production directors on magazines with over 500,000 circulation earn $56,767 in salary, two-thirds more than those on magazines with under 50,000 circulation. And if they receive a bonus, directors on large magazines earn almost $75,000, virtually double the earnings of their counterparts on very small magazines.
- The same pattern emerges when average total pages is analyzed: Production directors of magazines producing less than 500 pages annually average $35,033 in salary, compared with $54,990 for those on magazines with over 3,000 pages.
- Directors on weeklies and biweeklies also earn significantly more than their counterparts on monthlies or magazines with other frequencies.

Production managers

Although many of the patterns described above are repeated for production managers, the difference in sal-

Using the numbers

It is important to use the salary information in this survey cautiously. In many instances there were not enough respondents in certain cells to allow valid conclusions to be reached. For this reason, FOLIO: is publishing the number of respondents in each cell (shown in parentheses). In addition, not all respondents answered all questions. Therefore, the total number of respondents in the "average" column of a chart is not necessarily the sum of the subcategories.

The survey also examines only one variable at a time. For example, production directors in the Northeast earn higher salaries than their peers in other regions—but are those in the Northeast who participated in the survey working on larger magazines? Are they the ones with the most experience? The survey methodology does not enable those multiple variables to be analyzed.

One should be extremely cautious about comparing the data in this survey with data from prior years. Those who responded to this survey may well come from a different mix of magazines than do respondents to prior surveys. Comparisons are thus best made not on the broad averages, but on the more detailed breakdowns by magazine size, scope of responsibility, respondents' experience, and the like.

Last, for the first time, FOLIO: is combining salary and bonus for those reporting both types of compensation in order to give a truer picture of total compensation for production personnel.

ary levels is much smaller; and, in some situations, there is no significant difference at all. In effect, salary and total compensation are compressed into much narrower bands for production managers than for directors.

For example, while production managers on consumer magazines earn more than those on business magazines, the difference is only $2,200, or 8 percent, compared with over $5,000, or 12 percent, for directors. And managers who receive a bonus (34 percent of the sample) are paid 20 percent more in total compensation than those who do not get a bonus, compared with a 30 percent differential for directors.

Women, who comprise 71 percent of the sample, have average salaries that are about 85 percent those of men; and their total compensation is 83 percent of men's. Experience, while clearly correlated to salary, also has less of an impact, with salaries rising from $22,541 for those just starting out in the business to only $32,815 for managers with over 20 years' experience. Production managers in the Northeast earn $4,000 to $5,000 more than their counterparts in other parts of the country.

> "My plans include creating an award-winning magazine and making the type of money I'm really worth."
>
> —Production manager in the West, earning salary in the high twenties.

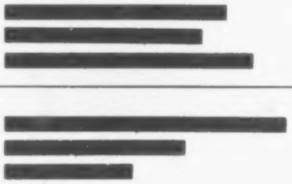
Number of employees supervised also has only a small bearing on pay. Those with only one person, or none, on staff average about $25,000 in salary, and those with a staff of five or more average $31,553. Further, production managers working on one magazine earn slightly higher salaries than those working on more than one, the opposite of what one would normally expect; total compensation of managers with multititle responsibility is $4,500 more than those with just one magazine to worry about.

Salary is directly correlated with magazine size, although again the

Production director

Production director (may be called vice president of production): Negotiates printing, typesetting and engraving contracts; establishes production schedules. Oversees individual production managers and advises on technical matters; is directly responsible for quality control.

Average salaries (The number of respondents is in parentheses.)



		% increase from '87 to '88
All respondents	$41,170 (186)	10.5%
Business	38,868 (95)	8.6
Consumer	44,096 (86)	12.7
Top one-third	$58,942 (62)	
Middle one-third	38,847 (62)	
Bottom one-third	25,723 (62)	

	Average	Average business	Average consumer
By region:			
Northeast	$46,730 (68)	$44,143 (32)	$49,561 (34)
South Atlantic	34,719 (31)	33,696 (22)	37,222 (9)
Central	37,471 (49)	33,324 (25)	42,727 (22)
Western	41,253 (38)	44,094 (16)	39,625 (21)
By sex:			
Male	$46,349 (93)	$43,745 (43)	$48,717 (48)
Female	35,992 (93)	34,835 (52)	38,258 (38)
By years in production:			
Up to 3	$30,385 (13)	$28,045 (11)	$56,500 (1)
4-10	35,783 (84)	34,577 (38)	37,270 (44)
11-20	43,328 (58)	41,626 (31)	45,281 (27)
More than 20	58,341 (29)	53,903 (14)	65,095 (13)
By employees supervised:			
None	$33,686 (19)	$28,488 (14)	$48,240 (5)
One	30,585 (27)	31,582 (11)	29,899 (16)
2-5	39,546 (83)	36,663 (42)	43,230 (37)
More than 5	51,044 (57)	50,229 (28)	52,612 (28)
Responsible for:			
One magazine	$36,360 (81)	$36,128 (40)	$37,053 (38)
More than one magazine	44,881 (105)	40,861 (55)	49,671 (48)
Eligible for bonus/incentive:			
Yes	$44,103 (94)	$40,851 (45)	$47,837 (47)
No	38,174 (92)	37,083 (50)	39,587 (39)
By circulation:†			
Up to 49,999	$33,850 (60)	$34,410 (42)	$30,925 (16)
50,000-99,999	36,379 (33)	37,248 (21)	35,936 (11)
100,000-499,999	43,006 (62)	44,921 (29)	42,087 (31)
500,000 and more	56,767 (31)	54,124 (3)	57,051 (28)
By frequency:†			
Weekly/biweekly	$50,688 (30)	$46,707 (21)	$59,978 (9)
Monthly	40,579 (114)	37,950 (55)	43,540 (55)
Other	35,978 (42)	32,861 (19)	38,986 (22)
By average total pages produced annually:†			
Up to 499	$35,033 (15)	$25,300 (5)	$39,900 (10)
500-999	33,541 (55)	32,470 (31)	35,417 (22)
1,000-1,499	40,206 (41)	38,488 (21)	42,718 (17)
1,500-2,999	44,009 (37)	40,159 (17)	47,282 (20)
3,000 and more	54,990 (35)	51,822 (20)	59,213 (15)

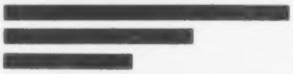
†Refers to the largest circulation magazine on which respondent works.

Production manager

Production manager: Directly responsible for daily production operations, including publication paste-up, quality control and maintaining production schedules. Is liaison with printing plant. May traffic advertising and editorial materials.

Average salaries (The number of respondents is in parentheses.)

		% increase from '87 to '88
All respondents	$27,025 (309)	11.2%
Business	26,287 (185)	11.4
Consumer	28,504 (115)	10.2



Top one-third	$36,511 (103)
Middle one-third	25,662 (103)
Bottom one-third	18,901 (103)

	Average	Average business	Average consumer
By region:			
Northeast	$29,928 (121)	$28,575 (76)	$32,440 (43)
South Atlantic	25,980 (40)	25,349 (25)	28,790 (12)
Central	24,858 (100)	24,292 (63)	25,898 (34)
Western	25,089 (48)	25,104 (21)	25,273 (26)
By sex:			
Male	$30,261 (89)	$29,384 (49)	$32,533 (36)
Female	25,723 (219)	25,179 (135)	26,669 (79)
By years in production:			
Up to 3	$22,541 (76)	$22,311 (51)	$23,024 (21)
4-10	27,225 (163)	26,051 (92)	29,140 (66)
11-20	30,845 (51)	31,388 (28)	30,184 (23)
More than 20	32,815 (18)	31,821 (13)	35,400 (5)
By employees supervised:			
None	$24,720 (88)	$23,865 (58)	$26,869 (29)
One	25,098 (69)	25,415 (45)	24,836 (20)
2-5	28,495 (112)	27,808 (63)	29,631 (45)
More than 5	31,553 (38)	31,194 (17)	31,843 (21)
Responsible for:			
One magazine	$27,117 (147)	$26,747 (88)	$27,576 (56)
More than one magazine	26,941 (162)	25,870 (97)	29,386 (59)
Eligible for bonus/incentive:			
Yes	$ 28,756 (113)	$ 27,577 (68)	$ 30,413 (44)
No	26,026 (196)	25,537 (117)	27,321 (71)
By circulation:†			
Up to 49,999	$23,787 (132)	$23,563 (100)	$24,618 (30)
50,000-99,999	27,896 (74)	28,847 (47)	26,608 (25)
100,000-499,999	29,410 (71)	29,756 (33)	29,332 (36)
500,000 and more	34,729 (29)	33,800 (5)	35,415 (22)
By frequency:†			
Weekly/biweekly	$30,950 (42)	$30,930 (30)	$30,999 (12)
Monthly	26,802 (204)	25,291 (126)	29,507 (73)
Other	25,484 (59)	25,873 (28)	25,304 (28)
By average total pages produced annually:†			
Up to 499	$24,771 (54)	$24,715 (26)	$25,696 (24)
500-999	25,160 (60)	23,976 (37)	27,514 (20)
1,000-1,499	26,070 (74)	24,730 (46)	28,271 (28)
1,500-2,999	28,222 (69)	27,858 (41)	28,487 (27)
3,000 and more	31,379 (38)	30,465 (26)	33,358 (12)

†Refers to the largest circulation magazine on which respondent works.

differences are not dramatic. Production managers on magazines with under 50,000 in circulation earn $23,787, only $11,000 less than those on magazines with circulations over 500,000. And managers on magazines producing less than 500 pages average $24,771 in salary, only $6,600 less than those on magazines with over 3,000 pages.

Although we cannot be certain, one possible explanation for this apparent compression is that the production manager may be the top production employee on many small magazines, whereas on larger ones, the manager is in a second level job, reporting to a production director. One indication that this may be the case is that 43 percent of the production managers responding to this survey work on magazines with circulations less than 50,000.

> **"At the present time, I would like to get our four-color magazine out on a timely basis every month—without having a heart attack!"**
>
> —Production manager in the South, earning roughly $25,000 in salary and bonus.

FOLIO: also asked its respondents to indicate their career goals. Notwithstanding the often frustrating nature of the job, the long hours, pressure and constant need to stay on top of technology, the great majority of these production professionals indicated a commitment to their profession and a desire to stay in it and grow with it.

Indeed, a few of them have set their sights on becoming publishers. And given the increasing importance of their role and the insights they can gain on the entire publishing process, it is not unreasonable to expect that some of them will achieve that objective. As one production manager put it: "Surviving in an ever-changing, technologically oriented industry with hopes that I can land a position as production director and eventually move into the publisher mode with a company that will not put limits on what I can do to improve my technical education and also reward me for a job well done is my dream."☐

Average annual total compensation*

	Production director	Production manager
Receive bonus/incentive:		
Yes	$49,592 (81)	$31,310 (102)
No	38,174 (92)	26,026 (196)
Magazine type:		
Consumer	$54,602 (39)	$33,186 (40)
Business/professional	45,640 (40)	29,944 (61)
By region:		
Northeast	$54,447 (32)	$34,936 (38)
South Atlantic	41,785 (11)	28,521 (9)
Central	44,136 (21)	28,544 (37)
Western	52,246 (17)	30,739 (18)
By sex:		
Male	$58,287 (42)	$35,066 (38)
Female	40,228 (39)	29,080 (64)
By years in production:		
Up to 3	$30,280 (5)	$25,461 (30)
4-10	43,027 (28)	32,381 (51)
11-20	48,237 (35)	37,271 (14)
More than 20	74,809 (13)	36,657 (7)
By employees supervised:		
None	$55,125 (4)	$27,471 (25)
One	37,992 (7)	28,206 (19)
2-5	41,227 (40)	31,777 (41)
More than 5	62,714 (30)	39,381 (16)
Responsible for:		
One magazine	$44,279 (27)	$28,927 (48)
More than one magazine	52,249 (54)	33,429 (54)
By circulation:†		
Up to 49,999	$38,230 (23)	$26,890 (41)
50,000-99,999	40,008 (13)	30,404 (26)
100,000-499,999	51,378 (32)	35,653 (21)
500,000 and more	74,883 (13)	39,425 (14)
By frequency:†		
Weekly/biweekly	$65,295 (14)	$38,449 (17)
Monthly	46,659 (50)	29,281 (67)
Other	45,288 (17)	33,200 (16)
By average total pages produced annually:†		
Up to 499	$48,058 (6)	$33,058 (18)
500-999	38,070 (22)	31,008 (17)
1,000-1,499	45,569 (18)	28,965 (27)
1,500-2,999	50,302 (16)	29,247 (21)
3,000 and more	70,528 (17)	34,133 (13)

*Includes only individuals who reported receiving both salary and bonus; the number of respondents is in parentheses.
†Refers to the largest magazine on which respondent works.

Average annual bonus/incentive*

	Production director	Production manager
Average bonus/incentive:	$4,671 (81)	$2,400 (102)
Magazine type:		
Consumer	$5,491 (39)	$2,552 (40)
Business/professional	4,033 (40)	2,281 (61)
By region:		
Northeast	$5,022 (32)	$2,833 (38)
South Atlantic	3,735 (11)	2,200 (9)
Central	3,755 (21)	1,867 (37)
Western	5,750 (17)	2,683 (18)
By sex:		
Male	$6,483 (42)	$2,628 (38)
Female	2,720 (39)	2,265 (64)
By years in production:		
Up to 3	$1,780 (5)	$1,666 (30)
4-10	3,255 (28)	2,636 (51)
11-20	4,763 (35)	3,057 (14)
More than 20	8,588 (13)	2,514 (7)
By employees supervised:		
None	$2,625 (4)	$1,999 (25)
One	4,549 (7)	1,595 (19)
2-5	2,981 (40)	2,811 (41)
More than 5	7,227 (30)	2,894 (16)
Responsible for:		
One magazine	$4,589 (27)	$2,220 (48)
More than one magazine	4,713 (54)	2,560 (54)
By circulation:†		
Up to 49,999	$3,806 (23)	$1,945 (41)
50,000-99,999	2,938 (13)	2,692 (26)
100,000-499,999	4,638 (32)	2,625 (21)
500,000 and more	8,019 (13)	2,854 (14)
By frequency:†		
Weekly/biweekly	$7,621 (14)	$2,914 (17)
Monthly	3,988 (50)	2,249 (67)
Other	4,253 (17)	2,569 (16)
By average total pages produced annually:†		
Up to 499	$3,058 (6)	$3,817 (18)
500-999	3,498 (22)	1,959 (17)
1,000-1,499	3,686 (18)	1,940 (27)
1,500-2,999	4,225 (16)	2,443 (21)
3,000 and more	8,479 (17)	1,726 (13)

*The number of respondents is in parentheses.
†Refers to the largest circulation magazine on which respondent works.

"Long-term goals? Increased knowledge, increased salary, increased responsibility with larger circulation publications."

—Production director in the South, earning salary in the mid twenties, working for a multititle publisher.

Methodology

Five hundred forty-four of the 1,127 production professionals who received questionnaires responded to FOLIO:'s fourth annual production salary survey, resulting in a response rate of 48 percent. Of the total responses, 495 contained sufficient information to be used for tabulation. The survey was conducted through two mailing efforts in April. Participants were asked to supply data reflecting 1988 earnings; if exact figures were unavailable, they were requested to estimate.

In some cases, respondents did not give an exact bonus figure, but gave an expected range instead. Here the mean was used for tabulation. For example, if a respondent indicated that his or her annual bonus would be between $4,000 and $6,000, the arithmetic mean of $5,000 was used as that respondent's expected bonus for the year.

The sample was evenly divided between production directors and production managers, based on masthead designations. Each category was also evenly divided between consumer and business publications. A job description has been included with each compensation chart. These descriptions were printed on the questionnaire; and respondents were asked to choose the description that most accurately reflected their duties even if different from their job titles.

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